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INTERNATIONAL NEWS

Reshoring: 18 Months of Supply-Chain Chaos Might Finally Turn the Tide

Executives battling 18 months of supply-chain disruption, container shortages, port pileups and escalating labor costs might finally be warming up to the idea of bringing production back to the US of A.

The chaos that has subsumed global supply chains since March last year might effectively catalyze the nearshoring movement, according to UBS equity research director Chris Snyder.

"We think the continued disruption supports our call that the pandemic could serve as a catalyst for U.S. reshoring and broader investments in supply chain resiliency" such as automation, he wrote in a research note.

With labor costs climbing, the UBS team believes outsourcing's benefits are in structural decline, tilting the scales in domestic manufacturing's favor.

During the pandemic, many companies reviewed their supply operations, from where finished goods were produced to how they arrived at their end market, encompassing upstream components at the raw goods level. At the beginning of the year, many once again dismissed reshoring as a costly venture as America's service-economy structure lacks the factory base and talent needed to stand up new manufacturing enterprises.

Any serious reshoring schemes might be years in the future, given the level of infrastructure investments needed to bring these ambitions to fruition.

At Sourcing at Magic in August, Central American outfits made a stronger showing versus the muted presence of their Chinese and Asian brethren. "Finally, the market is realizing that China is not everything," Michel Chabaneix, CEO of Peru's All Cotton Corp. SAC, told Sourcing Journal at the time. While "price point is important," he added, "it's more important to have the goods and the quality your customer deserves and have the merchandise on time."

Clothing companies that pulled production out of China in recent years amid surging labor costs might be in a stronger position to truly consider nearshoring or reshoring, presuming they didn't simply hop over to

Vietnam where the a tsunami of Covid-19 infections has hamstrung manufacturing and supply logistics for even giants like Nike.

UBS's Snyder believes 2022 and 2023 will bring supply chain tailwinds, though inventories are expected to remain constrained in the meantime. Automation will reduce labor costs and introduce efficiencies.

Last year Evolution St. Louis established a high-tech knitting facility, with the aim of assembling a Made-in-America supply chain and reinvigorating the Missouri city. The Missouri Department of Economic Development and the St. Louis Economic Development Corp. offered tax credits and other incentives.

The facility replaces labor-intensive cut-and-sew manufacturing facilities with machines that digitize operations, making the business model cost-competitive with Asian production. Fewer workers needed to operate the machines offset their higher pay. What's more, goods produced at Evolution shirk the high tariffs of imported clothing and bear lower transportation costs as well.

According to a New York City apparel CEO, automated on-shore production is well suited for basics such as T-shirts and other tops, underwear, simple dresses and some bottoms.

Walter Loeb, a former retail executive turned analyst and now a consultant, said the reshoring conversation could spur action.

"I believe that retail and some apparel firms will be the last to bring production that's feasible back to the states. The problem is that they haven't figure out how to reduce costs in the U.S. in a way that would make producing here pay off. Most still count on the fact that even with all the difficulties, China is still cheaper than producing it in the U.S.," Loeb said. "In my opinion, I'm hoping some stuff does come back here and that they can produce something at a reasonable cost, make money and bring employment back to the U.S."

For now, the immediate focus is on surging shipping rates. And the increases are expected to continue to climb, making it a challenge for all companies, particularly retailers, according to Michael Lasser, U.S. hardlines retail analyst at UBS.

"While container rates have been rising over the course of the pandemic, they have recently jumped higher. This has caused many retailers, both big and small, to call out the impending freight headwinds on their most recent calls," Lasser said. He noted that the average Shanghai-to-Los-Angeles 40-foot container rate was $4,100 in 2020's the fourth quarter, rising to $7,500 in Q2 and $11,000 to date for the third quarter. Even contract rates have gone up.

"So, regardless of whether retailers are having their contracts honored, they are likely still experiencing pricing pressures," Lasser said.

A multitude of factors including demand oustripping supply, labor challenges and the holiday season all present additional headwinds for the supply chains. He expects the drag from shipping rates will be much more pronounced in the coming quarters.

Walmart and Target are the top two retail importers of 40-foot containers, with Home Depot, Lowe's and Dollar Tree also making Lasser's top 10. Dollar Tree's low-priced products put the chain at greatest risk from sky-high shipping rates.

Lasser expects retailers to offset cost pressures through sourcing changes and price increases that consumers are forced to swallow. Using the consumer price index (CPI) as a gauge for inflation rates, retailers selling household appliances and sporting goods are likely in the best position to be able to raise prices, he noted.

In contrast, apparel, which has had the lowest level of CPI on a two-year basis at down 3.3 percent, would have a harder time implementing price increases. And that means retailers such as Dollar Tree and Five Below are likely to struggle to pass on increases to their customers due to their fixed price structures. However, they might still be able to "at least partially offset freight increase by using their considerable purchasing power," he said.

Source: sourcingjournal.com– Sep 27, 2021

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US Customs increases textile trade enforcement measures in Q3

US Customs and Border Protection (CBP) saw increases in some measures used to enforce trade laws and regulations governing textiles in the third quarter of 2021, including factory visits and audits, and collected more duties, according to new data.

Textile and apparel goods have some of the highest duty rates of all commodities imported into the US making them susceptible to fraud. Textile risks include: schemes designed to circumvent textile tariff and trade laws include false invoicing, false marking and labelling, false claims of origin, illegal transshipment, misdescription, undervaluation, false declarations of right to make entry, false trade preference claims, and outright smuggling.

Therefore, textiles have long been a CBP Priority Trade Issue (PTI) for enforcement efforts.

In the third quarter, CBP collected US$701m in Section 301 duties compared to $697m in the prior quarter.

Cargo examinations were up, totalling 3,946 from 3,578 in the second quarter of the financial year. 12 audits were also completed, up from ten a quarter prior, while one special enforcement operation was completed.

Source: just-style.com– Sep 27, 2021

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New pledge for zero impact from textile fibre fragmentation by 2030

Sophie Mather, executive director of UK-based The Microfibre Consortium (TMC), recently unveiled a new global commitment to achieve zero impact from fibre fragmentation from textiles to the environment by 2030. The fashion industry has made tremendous strides in understanding the root causes of the problem and it is time for it to expedite solutions to ensure actual impact, she said.

The Microfibre Consortium (TMC) facilitates the development of practical solutions for the textile industry to minimise fibre fragmentation and release to the environment from manufacturing and the product life cycle.

"There is an urgent need to position this topic within the larger sustainability agenda and enable a no-regrets decision to be made," Mather said last week .

Up until now, Mather said, stakeholders have not had a 'distinct global agenda' within which to work, which means that research funding has not been allocated in sufficiently strategic ways that can deliver coherent results and promote progress. The Microfibre 2030 Commitment and its accompanying Roadmap seek to change that.

TMC, a multi-stakeholder initiative whose members include Adidas, Gap Inc., Patagonia and Zara owner Inditex, is hoping to get buy-ins from 100 brands, retailers, manufacturers and research organisations by the end of next year and 250 by 2030.

Birla Cellulose, Finisterre, H&M, Helly Hansen, Hohenstein, Jack Wolfskin and SGS are some of the agreement's early adopters. Both The Nature Conservancy and the ZDHC Foundation have also thrown in their support, a press release from TMC said.

With the publication of several unified test methods for evaluating microfiber release, including TMC's own, the fashion industry has resolved one of the biggest bottlenecks in tackling the issue, which means the real work can begin in earnest, Mather said.

By next year, TMC plans to roll out a process to test and quantify pre-consumer microfibre loss from the manufacturing sector, build out a

Microfibre Data Portal where these results can reside and pilot a Microfibre Knowledge Hub where brands, retailers and suppliers can access useful information.

In 2023, the Roadmap will release its first progress report, determine a fibre fragmentation baseline for signatories and put out a call to action to stakeholders to tap this shared knowledge to mitigate fibre fragmentation.

The year 2025 will see the launch of a Microfibre Global Rating system, which the Commitment's signatories will adopt to create a more consistent approach. When 2030 comes around, TMC hopes to see 80 per cent of pledgees adopt and implement microfibre limits.

Source: fibre2fashion.com– Sep 28, 2021

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Sri Lankan economic crisis worries South India's textile and fabric exporters

Export of cotton fabric from India in the first seven months of 2021, India exported cotton fabrics worth $179.29 million, up 38.47% from the year-ago period, mainly due to pent up demand.

South India's textile and fabric exporters are worried that the economic crisis in Sri Lanka--India's second largest export destination for clothing products—may lead to a delay in payments from buyers in the island nation.

The Sri Lankan rupee has weakened by more than 10% against the US dollar, giving rise to concerns among Indian textile and fabric exporters that payments could get delayed. This comes after a slowdown in exports to Sri Lanka.

"Exports of cotton fabric to Sri Lanka were witnessing an upward trend due to pent up demand. But it started slowing down from August, and then came the economic emergency which disrupted trade," Dr. Siddhartha Rajagopal, Executive Director of The Cotton Textiles Export Promotion Council (Texprocil), told ET.

According to Rajagopal, Sri Lanka is the second-largest market for Indian cotton textiles export after Bangladesh.

Export of cotton fabric from India in the first seven months of 2021, India exported cotton fabrics worth $179.29 million, up 38.47% from the year-ago period, mainly due to pent up demand.

"The impact of the economic crisis in Sri Lanka is expected to be felt more in the coming months," Rajagopal said.

Other products that are exported to Sri Lanka are auto spare parts, footwear, computer peripherals, and iron and steel.

Sri Lanka's economic woes are partly due to the outbreak of Covid-19, which affected tourism, one of the primary sources of foreign currency earnings. Its mounting foreign debt crisis is also seen as one of the main underlying reasons for the current situation.

A ban on use of fertilisers by Rajapaksa, who wants agriculture to turn totally organic, may have made matters worse.

Praveen Khandelwal, general secretary of the Confederation of All India Traders (CAIT), said traders are facing payment problems due to the crisis in Sri Lanka.

"Around Rs 8,000 crore is stuck up in Sri Lanka and there is no clarity when the payments will become smooth," Khandelwal said. "We also import pharma raw materials, paperboard, pepper, poultry feed from Sri Lanka. That too has stopped."

However, Raja Shanmugam, president of Tirupur Exporters Association, pointed out that the current crisis in Sri Lanka may work in favour of India garment exports. "In the world market, Sri Lanka is a competitor of India in the apparel sector. Now that the country is going through an economic crisis, global apparel buyers may look at India as a sourcing nation and place more orders," he said.

Ajay Sahai, director general, Federation of Indian Export Organisations, said, "From the last one year, we have seen Sri Lanka curbing imports of non-essentials such as vehicles and others. But exports of essential items were going on. Now that the payment has become irregular, we have asked the government for a line of credit to be extended to Sri Lanka."

Source: economictimes.com– Sep 27, 2021

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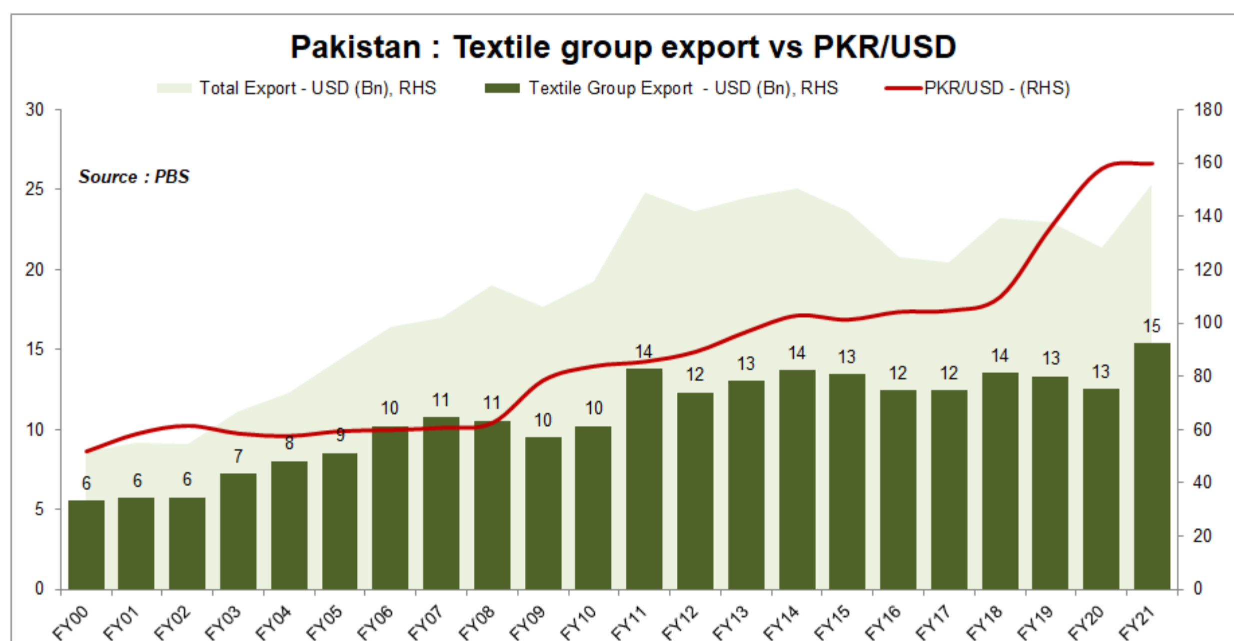
Pakistan: Textile exports: taking off?

It appears that textile exports are finally indeed taking off. According to PBS data, textile group exports crossed $15 billion during FY21. The federal government is convinced that exports shall cross $20 billion in FY22. Textile industry lobbyists insist that for exports growth to maintain its momentum, incentive structure must ensure provision of energy on regionally competitive pricing, flexible exchange rate, and availability of long-term finance at concessionary markup.

Back in 2018, this space had mentioned that China is moving away from textile while USA is looking to reduce reliance of its textile imports from China for strategic reasons. Fortunately for Pakistan, the pandemic has not altered the strategic outlook on textile of these two economic superpowers. The change in international trade tailwinds could not have come at a better time for Pakistan. Since PTI came to power, the regime has adopted a textile-friendly approach, making the environment conducive for exports growth.

Out of $800 billion world textile trade, China's share is one third. Recently, China is moving from low value-added exports, as labor and other factors of production are becoming expensive, and the government is moving away from subsidies to exports.



Buyers in the West are recognizing the new reality as retail margins are also squeezing. Thus, in general, buyers are looking for suppliers that can enhance supplies at current pricing. If Pakistan secures even a small fraction of China's share, its textile exports could double.

Buyers moving away from China can either move to Bangladesh, Viet Nam, India, or with any luck Pakistan. The requisite infrastructure already exists in these nations, while exporters have access to cheap labour. Moreover, the shutdown of industrial base in Bangladesh during Covid has cemented the belief that buyers need to diversify supplier-base. Thus, Pakistan stands to gain from this paradigm shift in buyer strategy.

It appears that the textile sector is also gearing up for grab. Anecdotal evidence based on a conversation with a knitwear manufacturer reveals that the company has increased capacity by over three times in the past few years. According to the company, buyers are willing to double the size of purchase orders if the exporter can meet timely delivery. Thus, the company is convincing spinners to expand so raw material for knitwear is in abundant supply.

The textile industry demands that exchange rate must be priced at fair-value, which means that REER must hover at 100. Moreover, the industry demands energy – gas and electricity - at regionally competitive rates. While the third demand is long term concessionary financing. So far since PTI came to power, all three building blocks have been in place and appear to be paying dividends (based on textile growth).

A little over half of TERF is utilized by textile players. LTFF is another avenue for exporters where textile has lion's share. During 2MFY22, textile machinery imports have witnessed 160 percent growth over same period last year, which is indicative of the ongoing expansion within the sector.

However, export growth is not fully reflecting in the first two months of FY22. According to the industry, container shortages are delaying shipments; exporters claim that their warehouses are full of inventory ready for export. Textile exports stood at $3 billion during 2MFY22, which translates into $18 billion or 20 percent increase on annualized basis.

At the same time, textile lobbyists advocate that SBP needs to revisit its markup subsidies to exporters.

There are two kind of subsidies – one is Export refinance scheme (ERF) and the other is long term financing facility (LTFF). ERF was introduced several decades ago when export dynamics were very different. Exporters can get dollar financing against shipments at subsidized rates which allows them to hedge against adverse currency movement.

According to sources, exporters that heavily rely on ERF have a tendency to retain dollars outside Pakistan till the six-month limit expires, and in turn are able to gain from currency depreciation. The legacy structure of ERF needs to be revisited and brought in line with subsidized short-term financing offered by other countries.

Source: brecorder.com– Sep 27, 2021

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Govt to extend existing foreign trade policy till March next year: Piyush Goyal

Commerce and industry minister Piyush Goyal on Monday said that the existing foreign trade policy (FTP) will be extended till March 31 next year, a second extension ahead of its September 30 deadline.

At an event organised by the Federation of Indian Export Organizations, he also said that India's merchandise exports during April-September 21 were over $185 billion.

The government had earlier extended the FTP 2015-20 until September 30 this year due to the Covid-19 pandemic.

"We are notifying it today evening or tomorrow...We have decided to extend the policy until March 31 (2022)...and in the (new) financial year, we can start with the new policy," Goyal said, adding that Covid-19 issues would be resolved by then.

On March 31, 2020, the government had extended the Foreign Trade Policy 2015-20 for one year till March 31, 2021, amid the coronavirus outbreak and the lockdown following it.

On the issue of high prices charged by shipping companies, Goyal said that he has asked the Directorate General of Foreign Trade (DGFT) to discuss the issue with the shipping ministry.

"Shipping companies in exchange rates charge very phenomenal prices causing a loss to our exporters. I have asked DGFT to talk to shipping ministry so that we can have predetermined rates like we have customs rate," he said.

The minister also said that he has asked the State Bank of India to come up with a fair rate which should be uniformly applied to all exporters- big or small.

Trade facilitation portal

Goyal on Monday inaugurated a trade facilitation portal www.easeoflogistics.com developed by FIEO to bring exporters and logistics service providers (LSPs) on a single platform.

FIEO president A Sakhtivel said that that over 1,800 exporters and around 300 service providers onboarded the portal during the soft launch.

“To ensure an effective response rate to exporters demand, FIEO has also obtained support from all the leading logistics associations,” Sakthivel said.

These associations include the Container Shipping Lines, Freight Forwarders and Multimodal Transport Operators.

Exporters can post details of their container requirements directly to service providers for providing their best quotes, enabling exporters to chat, negotiate and finalize business. The portal would aid better price discovery for exporters and their container fulfilment probability shall improve through this portal.

Moreover, with advance visibility of demands, the logistics service provider LSPs would be in a better position to do equipment planning and container repositioning besides getting access to demands of pan India exporters giving them wider business outreach, FIEO said in a statement.

Source: economictimes.com– Sep 27, 2021

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"We must position India as a global player by becoming competitive": Shri Goyal

The Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Shri Piyush Goyal today said, the 'Rules of Business' have to be the same for all stakeholders. Addressing the 'Vanijya Saptah Samapan Samaroh', organised by the Federation of Indian Export Organisations (FIEO) here today, Shri Piyush Goyal said, "Irrespective of whether they are big or small business houses, or where they are from or any other differentiating factor, we would like everybody to have equal opportunity to do their businesses honestly, and grow their businesses."

The Commerce Minister said accountability and stipulated timelines should be there and Best Practices of various States or Ministries in Exports Development must be shared. Without setting a timeline, Shri Piyush Goyal said the Government plans to scale $1 trillion exports in both Merchandise and Services. "We must position India as a global player by becoming competitive," he said.

Referring to the Prime Minister Shri Narendra Modi's recent visit to the United States, Shri Goyal said, many leading entrepreneurs have shown keen interest to invest in India during the PM's meeting with heads of multinationals. Launching the 'Ease of Logistics' portal, the Minister said it will bring in transparency. Shri Goyal said the world is looking at India as the Favoured Investment Destination. "Innovation, Quality and Competition by Exporters is going to define the Brand India," he said.

Shri Piyush Goyal complimented the FIEO and the entire fraternity of exporters for the unprecedented success of events during the Vanijya Saptah including Vanijya Mahotsavs. Shri Goyal said events were organised in all 739 districts of the country during the 'Azadi Ka Amrit Mahotsav' observed by the Ministry of Commerce and Industry and all its offices during the last week. He said, over one crore people were directly or indirectly involved with the week-long celebrations, he said. The various events across the country were addressed by 23 Union Ministers, 9 Chief Ministers, 3 Lt. Governors and 26 Ministers of State.

Source: pib.gov.in– Sep 27, 2021

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Shri Bhupender Yadav releases the report of Quarterly Employment Survey (QES) employing 10 plus workers

Labour and Employment Minister Shri Bhupender Yadav today released the report of first quarter of Quarterly Employment Survey (QES) part (April to June 2021), of the All-India Quarterly Establishment-based Employment Survey (AQEES) prepared by the Labour Bureau.

The AQEES has been taken up by the Labour Bureau to provide frequent (quarterly) updates about the employment and related variables of establishments, in both organised and unorganised segments of nine selected sectors. These sectors altogether account for a majority of the total employment in the non-farm establishments. These nine selected sectors are Manufacturing, Construction, Trade, Transport, Education, Health, Accommodation and Restaurant, IT/ BPO and Financial Services.

The event was graced by the presence of Shri Rameswar Teli, Minister of State (L&E), Shri Sunil Barthwal, Secretary L&E, Shri D.P.S. Negi, Principal Labour & Employment Advisor and Shri I.S. Negi, Director General, Labour Bureau. Chairman, Expert Group on All India Surveys, Prof. S.P. Mukherjee was also present.

Announcing the results, Shri Yadav said, the estimated total employment in the nine selected sectors from the first round of QES is 3 crores and 8 lakhs approximately against a total of 2 crores and 37 lakhs in these sectors taken collectively, as reported in the sixth Economic Census (2013-14) reflecting a growth rate of 29 percent.

“Of the total employment estimated in the selected nine sectors, Manufacturing accounts for nearly 41 percent followed by Education with 22 percent, and Health 8 percent. Trade as well as and IT/BPO each engaged 7 percent of the total estimated number of workers.”,further informed the Union Minister.

Shri Yadav mentioned that data on all aspects of labour is crucial. “Evidence-based policy making and statistics based execution is the major focus of Prime Minister Shri Narendra Modi” emphasised the Labour Minister saying that such scientifically collected data with purity and integrity that can be cross examined will be immensely beneficial towards achieving targeted and last mile delivery of government programmes and schemes.

Sharing the findings on the pandemic induced employment retrenchment/ decline, the Labour Minister informed that it was found that the impact was evident in 27 percent of the establishments however the silver lining was that 81 percent of the workers received full wages during the lock-down period (March 25–June 30, 2020).

Key Highlights of the first round of Quarterly Employment Survey

- The most impressive growth of 152 percent has been recorded in the IT/BPO sector, while growth rates in Health is 77 percent, in Education it is 39 percent, in Manufacturing it is 22 percent, in Transport it is 68 percent and in Construction it is 42 percent . However, employment in Trade came down by 25 percent and in Accommodation & Restaurant the decline was by 13 percent. Financial services saw a growth rate in employment of 48 percent.

- Nearly 90 percent of the establishments have been estimated to work with less than 100 workers, the corresponding figure during EC 6 being 95 percent. Nearly 35 percent of the IT/ BPO establishments worked with at least 100 workers, including about 13.8 percent engaging 500 workers or more. In the Health sector, 18 percent of the establishments had 100 or more workers.

- The over-all participation of female workers stood at 29 percent, slightly lower than 31 percent reported during 6th EC.

- Regular workers constitute 88 percent of the estimated workforce in the nine selected sectors, with only 2 percent being casual workers. However, 18 percent of workers in the Construction sector are contractual employees and 13 percent are casual workers.

- Only 9 percent of the establishments (with at least 10 workers) were not registered with any authority or under any act. While 26 percent of all the establishments were registered under the Companies Act with 71 percent registration in IT/ BPO, 58 percent registration in Construction, 46 percent in Manufacturing, 42 percent in Transport, 35 percent in Trade and 28 percent in Financial Services.

- Around 18 percent of the establishments have provision of on-job skill training programmes.

There are two components under AQEES, Quarterly Employment Survey (QES) and Area Frame Establishment Survey (AFES). QES has been initiated to compile relevant data from about 12,000 establishments selected through a sampling design to represent each of the nine sectors within each state/ Union Territory, as also each size-class (range of number of workers) within each sector-State/ UT.

Area Frame Establishment Survey (AFES) covers the unorganised segment (with less than 10 workers) through a sample survey. AQEES will provide a consolidated picture with both the organised and the unorganised segments of the non-farm economy. The first round of QES had a reference date of April 1, 2021 for the different items of information about an establishment.

The results on the first round of "Quarterly Employment Survey" April-June 2021)is an very important to give insights into the concepts, definitions and sampling design adopted for estimation of sectoral employment estimates. This will serve as a useful data for policy-makers, Central/ State Governments officials, researchers and other stakeholders.

Click here for full report

Source: pib.gov.in– Sep 27, 2021

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Government notifies textile PLI: 30-60% value add, introduces 'Smart Textiles'

The government on Monday notified the Rs 10,683 crore Production Linked Incentive (PLI) scheme for textiles that covers 10 technical textile products, 14 manmade fibre (MMF) products and 40 MMF apparel. The textiles ministry said that only those companies would be selected for the incentive under the programme which contribute 60% value addition in integrated fibre/yarn to fabric, garment & technical textiles and 30% in case of independent fabrics processing house.

The scheme outlines two categories with different incentives based on minimum investment of Rs 300 crore and Rs 100 crore and covers products such as jackets, jerseys, trousers, overcoats, polyester fabric and nylon furnishing fabrics.

Technical textiles include safety airbags, shade nets, bullet proof jackets, surgical sutures, Personal Protective Equipment for medical use and carbon fibre.

The government has also included Smart Textiles embedded with active devices for medical, defence and special use in the list of products eligible for the benefits.

Smart Textiles is a new generation niche product that is a combination of varieties of wearable materials embedded with electronics.

"The description does not fit into any particular HSN Code at present. A suitable HSN Code at 8-digit need to be created afresh for this product," the textiles ministry said.

As per the notification, incentives under the scheme will be available for five years period i.e. during FY26 to FY30 on incremental turnover achieved during FY25 to FY29 with a budgetary outlay of Rs 10,683 crore.

However, if a company is able to achieve the investment and performance targets one year early then, they will become eligible one-year in advance starting from FY25 to FY29.

As per the notification, any person, which includes firm/company willing to invest a minimum Rs 300 crore in Plant, Machinery, Equipment and Civil

Works (excluding land and administrative building cost) to produce products of the notified lines, will be eligible to participate but they would have to form a separate company under Companies Act, 2013, before commencement of investment under this scheme.

“Thus, for getting incentive, both the conditions of minimum investment and minimum turnover should be met,” the ministry said.

The companies which invest Rs 300 crore, are expected to achieve a required turnover of Rs 600 crore after a gestation period of two years and a 15% incentive will be provided on attaining the same. Incentive in the subsequent years will be provided on achieving a minimum additional incremental turnover of 25% over the immediate preceding year’s turnover up to year. However, the incentive will be reduced by 1% every year from the second year onward till the final year and would become 11% in the year 5.

Only such sales will be counted, which are transacted through normal banking channel, according to the notification.

Similarly, those who apply for the Rs 100 crore category, would have to achieve a turnover of Rs 200 crore and the benefits will start from 11% and end at 7% in the last year.

Source: economictimes.com– Sep 27, 2021

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ICRA revises up FY'22 GDP growth forecast to 9 per cent

A ramp-up in Covid-19 vaccination, healthy advance estimates of kharif crop and faster government spending were the factors led to the revision

Ratings agency ICRA on Monday revised up its 2021-22 real GDP growth estimate for India to 9 per cent from the earlier 8.5 per cent.

A ramp-up in Covid-19 vaccination, healthy advance estimates of kharif (summer) crop and faster government spending were the factors which led to the revision, the agency said in a statement.

It can be noted that after the 7.3 per cent contraction in 2020-21, there were expectations of a higher growth number in 2021-22. However, the second wave of Covid-19 infections early into the fiscal year, which spread even in the hinterland, made analysts more circumspect. The RBI expects the economy to grow at 9.5 per cent. Icra on Monday said it expects the second half of the fiscal year to have brighter prospects.

"The widening coverage of Covid-19 vaccines is likely to boost confidence, which will in turn re-energise demand for contact-intensive services, helping to revive the portions of the economy affected most by the pandemic," its chief economist Aditi Nayar said.

The robust kharif harvest is likely to sustain the consumption demand from the farm sector while the expected acceleration in the central government spending after the withdrawal of the earlier cash management guidelines will recharge this key driver of aggregate demand, she added.

The key risk to its revised projection of 9 per cent GDP growth is a potential third wave and the existing vaccines being ineffective against newer mutations of the virus, she said. Nearly three-fourths of Indian adults could receive their second vaccine shot by the end of 2021 if the average 7.9 million doses a day recorded between September 1-26 is sustained, ICRA estimated.

Nayar said late sowing has helped bring the kharif acreage nearly at par with last year's record area. In line with this, the first advance estimates of crop production for 2021-22 signalled a robust rise in kharif output, barring coarse cereals and oilseeds, quelling the concerns raised by the uneven monsoon and episodes of flooding.

Based on these, the agency has revised up its GVA (gross value added) growth estimate for agriculture, forestry and fishing to 3 per cent each in second and third quarters of 2021-22 from the earlier projection of a tepid 2 per cent rise, she added.

The Centre's spending contracted 4.7 per cent in April-July 2021 year-on-year, and stood at 28.8 per cent of the 2021-22 Budget Estimates, the agency said, expecting a higher government spending to boost growth in second half of the year. However, it said that trends from the industrial sector remain lacklustre in September 2021, with semi-conductor non-availability weighing upon auto production and a flattening out of GST e-way bills.

Moreover, heavy rains have dampened electricity demand and are likely to distort trends in mining and construction.

Source: thehindubusinessline.com– Sep 27, 2021

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SIMA seeks 5% GST across textiles sector

The Southern India Mills' Association said the cotton textiles sector had an uniform GST rate of 5%

The textile and clothing industry has sought a uniform 5% Goods and Services Tax (GST) across the textile value chain.

Ravi Sam, chairman of the Southern India Mills' Association (SIMA), and vice-chairman Durai Palanisamy told journalists here on Monday that the cotton textiles sector had an uniform GST rate of 5%.

The inverted duty structure is present only in the man-made fibre sector. Reports indicate that the government is looking at 12% rate from January 2022 for fabrics and garments priced less than ₹1,000.

"The SIMA wants uniform 5% rate," Mr. Palanisamy said.

"If there is uniform rate at 5%, the compliance will be more," said Mr. Sam. There will be no revenue loss for the government, they added.

The Clothing Manufacturers Association of India said in a press release that the government came out with schemes such as production-linked incentive and mega textile parks mainly to promote export of man-made fibre products.

The proposed increase in GST will hurt the cotton sector more. The Indian garment industry is largely cotton-based. Cotton garments, including traditional wear such as dhotis and sarees, will turn expensive, hitting the common man. Hence, the government should look at 5% duty across the textile value chain, the association said.

Source: thehindu.com– Sep 27, 2021

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Goods and Services Tax: Daily e-way bill generation gains pace

Thanks to easing of lockdowns, e-way bill generation by businesses rose to 6.59 crore in August from 6.42 crore in July and 5.5 crore in June.

Daily e-way bill generation for goods transportation under the Goods and Services Tax (GST) system came in at 23.57 lakh for the week ended September 26, up 4% than the daily average for the previous week, reflecting a further pick-up in economic activities ahead of the festival season.

The daily average for the first 26 days of September was 21.86 lakh, 3% higher than the daily average of 21.26 lakh for August.

Going by the recent weekly trends, the daily average is expected to rise further for September when data for the full month is captured. Between September 1 and 26, as many as 5.69 crore e-way bills were generated.

Thanks to easing of lockdowns, e-way bill generation by businesses rose to 6.59 crore in August from 6.42 crore in July and 5.5 crore in June.

The gross GST collections came in at Rs 1.12 lakh crore in August (largely July transactions), up 30% on year but down 3.8% on month, signalling an ongoing economic recovery but suggesting that activities aren't picking up evenly across sectors. GST collections, after posting above Rs 1-lakh-crore mark for eight months in a row, had dropped below Rs 1 lakh crore in June 2021 due to the second wave of Covid-19.

Source: financialexpress.com– Sep 28, 2021

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Govts extends re-export timeline for imported containers by 3 months

In a move to improve the availability of containers for the trade, the government on Saturday announced to give three more months for the re-export of imported vessels lying at domestic ports. As per the present structure, keeping containers beyond a period of six months attracts an import duty as deemed import.

The commerce and industry ministry said that it is a temporary measure to improve containers available presently for export of containerised cargo with the aim of promoting export of laden marine containers. "Disruptions due to the Covid pandemic resulted in high shipping freight rates and container shortage globally, a problem which has been raised repeatedly by exporters in india too," it said in a statement.

The ministry said that during its stakeholder consultations, it was decided that the problem could be eased through creating policy incentives discouraging export of empty containers. The Central Board of Indirect Taxes and Customs on Saturday asked its field officers to give three months more time for the re-export of imported containers lying at domestic ports. Time extension has to be sought by the concerned importer.

"This step is expected to reduce the export of the empty containers from the country on ground of imposition of import duty, thus increasing the availability of containers for the trade," it said. While the policy is designed to discourage long dwell time of containers and to promote faster turnaround, the government said that it has been reported that this sometimes creates perverse incentive among shipping lines to export empty containers to evade duty payment on containers which are lying empty.

Ajay Sahai, director general of the Federation of Indian Export Organisations said that this was one of the demands made by exporters to reduce exports of empty containers as shipping lines were saying that since the duty free import of containers was allowed with conditions to exports with a specified period, at times to meet this deadline, they are compelled to exports empty containers.

Source: economictimes.com– Sep 25, 2021

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India emerges as Dubai's second biggest trade partner

Trade with India grew 74.5% year-on-year to 67.1 billion dirham

India has emerged as Dubai's second biggest trading partner after China with the overall volume touching 38.5 billion dirham in the first half of 2021, according to official data released on Sunday.

According to a Dubai government statement, the emirate had a trade volume of 86.7 billion dirham with China in H1 (first half) of 2021, followed by India and the US at third position.

Trade with India grew 74.5 per cent year-on-year to 67.1 billion dirham from 38.5 billion dirham in H1 2020.

China recorded 30.7 per cent growth year-on-year, with total trade with Dubai standing at 66.3 billion dirham in H1 2020.

In H1 2021, the US traded 32 billion dirham with Dubai, up 1 per cent year-on-year from 31.7 billion dirham.

Saudi Arabia came fourth with 30.5 billion dirham up 26 per cent from H1 2020, followed by Switzerland at 24.8 billion dirham.

The total share of the five biggest trade partners in H1 2021 amounted to 241.21 billion dirham compared to 185.06 billion dirham in H1 2020, up 30.34 per cent.

Gold tops list

Gold topped the list of commodities in Dubai's H1 external trade at 138.8 billion dirham (19.2 per cent of Dubai trade), followed by telecom at 94 billion dirham (13 per cent).

Diamonds came third in the list at 57.3 billion dirham (8 per cent), followed by jewellery at 34.1 billion dirham (4.7 per cent), and vehicle trade at 28 billion dirham (4 per cent).

Dubai's non-oil external trade surged 31 per cent in the first half of 2021 to reach 722.3 billion dirham from 550.6 billion dirham in the corresponding period in 2020.

Exports grew 45 per cent year on year in H1 2021 to 109.8 billion dirham from 75.8 billion dirham, which supports the goal of the 10 x 10 programme (one of the nation's 'Projects of the 50' initiatives) to increase the UAE's exports to 10 global markets by 10 per cent annually.

Imports rose by 29.3 per cent year-on-year to 414 billion dirham from 320 billion dirham. Re-exports grew 28.3 per cent year-on-year to 198.6 billion dirham from 154.79 billion dirham.

Expansion of sea. air network

Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of The Executive Council, said Dubai has reinforced its status as one of the world's fastest growing business hubs.

"Dubai's existing sea and air network will be expanded to cover 200 new cities around the world. We are confident that we will continue to build on our growth momentum to achieve our ambitious sustainable development projects and plans," he said.

Source: thehindubusinessline.com– Sep 27, 2021

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TN textile sector bets on growth with focus on value addition

The Tamil Nadu textile sector is betting on growth with a focus on value addition, according to a survey by Indian Texpreneurs Federation (ITF), a major textile body. ITF conducted the survey to understand the growth aspirations of the textile and apparel sector in Tamil Nadu in line with the positive trend prevailing in exports market in the post- Covid global business environment.

As many as 257 member companies with the combined yearly sales turnover of Rs 36,000 crore participated in the survey from manufacturing units across the value chain which includes spinning, semi-integrated, integrated, weaving, apparel, processing and home textiles.

While 30 per cent of the entrepreneurs have mentioned they were confident of doubling their current sales in 3 years' time with a 25 per cent Compound Annual Gorwth Rate (CAGR), 18 per ent mentioned that they will double their current sales in 4 years with a 20 per cent CAGR and 36 per cent mentioned about achieving the target of doubling yarn sales in 5 years' time with 15 per cent CAGR.

In total, 76 per cent of the surveyed firms mentioned doubling the current site of business in 3 to 5 years with new capex cycle, ITF convenor Prabhu Damodharan said here Monday.

Stating that this showed a very positive and vibrant change in the business environment in textile and apparel sector in Tamil Nadu, he said within the sub-segments of textile manufacturing, home textiles, weaving & apparel segments were showing better momentum in terms of growth.

"This trend will help the TN textile sector to further strengthen the value-added product manufacturing," he said.

As far as interest for second and younger generation in the textile business, 58 per cent of the entrepreneurs showed keen willingness of the next generation in taking forward the business, which was a a positive sign, he said.

On exploring IPOs, 16 per cent of the companies (around 40 companies) were keen to explore the option to list their shares in Indian equity markets, of which market capitalisation crossed Rs 240 lakh crore.

Team ITF will guide interested companies in making value-added products, create various platforms to enable NextGen to engage and guide companies to step into eEquity markets in a structural way, Prabhu said.

Source: retail.economictimes.indiatimes.com– Sep 27, 2021

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Expedite talks on FTAs, enhance competitiveness, says SIMA chairman

The Southern India Mills Association (SIMA) on Monday wanted the Centre to expedite the conclusion of negotiations on Free Trade Agreements (FTA) with EU, the UK and Canada and ensure a level-playing field for Indian home textiles and garments.

These products at 9.6 per cent duty in the EU and the UK and 15-17 per cent in Canada make Indian products uncompetitive as there is no duty in countries like Bangladesh, Vietnam, Cambodia, Sri Lanka and Pakistan, said the newly elected SIMA chairman Ravisam.

"Our country should explore an early harvesting programme during the pre-negotiations phase of the Enhanced Trade Partnership for zero duty and India and UAE are likely to negotiate on FTA with the Group Gulf Cooperation Council countries, the second largest destination of India, after USA, with nearly US $ 29 billion," he told reporters here.

The agreement is likely to be concluded by March 2022 and the CEPA (Comprehensive Economic Partnership Agreement) is likely to give more opportunities to India, he said.

Though India has signed several FTAs and RTAs like ASEAN, SAFTA, Asia-specific trade agreement and also with the countries like Korea, Japan, Malaysia and Chile, the country''s exports have not increased mainly due to tariff and non-tariff barriers, logistics and external trade policies like GST, he said.

Vietnam is a huge conversion centre and one of the top exporting nations of garments with almost US $ 30 billion as countries like China, Korea, Japan, Taiwan have made huge investments in Vietnam, he said. Vietnam imported over US $ 15 billion worth of fabrics last year of which India''s share is very negligible, he said.

Ravisam said yarn from India at zero duty, except for seven HS lines, are still at 5 per cent and that the Indian fabrics are in the sensitive and excluded list with 5-6 per cent and 12 per cent duty respectively.

On the issue of the need to address duty inversion in certain segments of the textile value chain, he said the cotton value chain has become seamless and does not have much problem to be addressed except the issue of the refund of accumulated input tax credit on account of capital goods and certain services especially in the processing sector.

Ravisam further said lower rate of GST has brought high revenue and any attempt to increase the rate of tax would have an impact on handlooms, powerlooms and other decentralised/MSME sectors that account over 85 per cent of the production in the textile value chain.

He appealed to the government to bring the entire man-made fibre value chain also under 5 per GST. and also to withdraw the 10 per cent import duty on cotton, as the country has been mostly importing only 11-15 lakh bales of cotton as against the total consumption of 330 lakh bales in a year.

Earlier, Ravisam was elected as the SIMA chairman, S K Sundararaman as deputy chairman and Durai Palanisamy as vice- chairman at the 62nd annual general meeting.

Source: outlookindia.com– Sep 27, 2021

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Fashion retailing may recover up to 80% of pre-pandemic sales this fiscal: Report

Fashion retail, one of the worst COVID-19 hit sectors, is beginning to breathe again on the back of rising vaccination and normalisation of economic activities and may close the year with 23-25 cent revenue growth if there is no third wave, according to a report. The sector was badly affected since the beginning of the pandemic last March as high-street malls and other outlets remained shuttered.

Two other reasons for the optimism is the massive 55 per cent fall in rentals in Q1 of FY2022 and more adoption of online retailing to the tune of over 50 per cent jump in volume on-year, says Icra Ratings in a report, adding expecting better recovery retailers are also likely to increase Capex by at least 45 per cent this fiscal. Therefore, the agency maintains its negative outlook on the sector and expects full recovery only from the second quarter of the next fiscal.

However, the report warns that if there is a third wave, which virologists still do not rule out, it can potentially shave off up to 40 per cent of revenue. And even if the sector closes the year with a 25 per cent growth, it will still be 20 per cent lower than the pre-pandemic volumes.

The fashion retail segment is expected to clip at 15-17 per cent year-on-year during July 2021-March 2022, translating into annual revenue growth of 23-25 per cent for FY22, provided there is no third wave, Icra said.

Our channel checks suggest that during July-August, the segment saw a healthy recovery to the tune of 70-85 per cent of the pre-pandemic level sales. Though the average ticket size has moderated from FY21 levels yet remained higher than the pre-pandemic levels, footfalls have increased, suggesting that this time around consumers are more comfortable in making repeat visits.

This ongoing recovery is in contrast to a relatively muted recovery (up to 48-50 per cent of pre-pandemic sales) in Q2 of FY21 following the reopening after the first wave, as per the report.

According to Sakshi Suneja, the sector head at the agency, with an improvement in the vaccination coverage, the fashion retail is expected to clip at 15-17 per cent from Q2 onwards, translating into annual revenue growth of 23-25 per cent in the year to March 2022.

This shall, however, remain lower by up to 20 per cent from the pre-pandemic sales, and thus the agency maintains its negative outlook on the segment and expects it to revert to pre-pandemic sales only by Q2 of FY23, she added.

Besides material costs, retailers typically have three key main cost components -rentals, salaries and marketing/ promotional expenses - which account for around 30 per cent of the total cost.

Though operating profit margins are expected to improve in FY22 on account of revenue growth, it will still be lower by around 450 bps from pre-pandemic levels, she said.

The pandemic spurred online retailing with most retailers reporting over a 50 per cent jump in sales over FY21.

Source: retail.economictimes.indiatimes.com– Sep 27, 2021

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Raymond to rejig business in bid to monetise assets

Textiles to engineering conglomerate Raymond announced an organisational restructuring plan on Monday, which will see its fast-fashion business consolidating with the parent company and the auto components and tools and hardware businesses merging into its engineering division.

Meanwhile, its nascent real estate division will be made a wholly-owned subsidiary of the company. The restructuring plan is aimed at monetising its assets, cutting debt and improving operational synergies. Raymond had a gross debt of Rs 2,470 crore as of March 31, according to Crisil Research.

Its stock gained 1.73% to close at Rs 447.8 apiece on the BSE against a flat benchmark. As part of the scheme, the tools and hardware and the auto components businesses will be merged into JK Files, a wholly-owned subsidiary.

“We are consolidating the business to explore all options available to us for monetization, which will enable deleveraging leading to value creation,” said Gautam Singhania, chairperson of Raymond, in a statement. In November 2019, the company announced the demerger of its apparel business held under Raymond Apparel.

The demerger scheme has been withdrawn and the lifestyle business will be transferred to Raymond to streamline the group’s B2C businesses.

Source: economictimes.com– Sep 28, 2021

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