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INTERNATIONAL NEWS

US real GDP rose at annual rate of 2% in Q3 2021: BEA advance estimate

US real gross domestic product (GDP) increased at an annual rate of 2 per cent in the third quarter (Q3) of 2021, according to the advance estimate released by the Bureau of Economic Analysis (BEA). In the second quarter, real GDP increased by 6.7 per cent. The second estimate for the third quarter based on more complete data will be released on November 24.

The increase in real GDP in the third quarter reflected increases in private inventory investment, personal consumption expenditures (PCE), state and local government spending, and non-residential fixed investment that were partly offset by decreases in residential fixed investment, federal government spending, and exports, BEA said in a press release. Imports, which are a subtraction in the calculation of GDP, increased. The increase in third quarter GDP reflected the continued economic impact of the COVID-19 pandemic. A resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country.

Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments and social benefits to households all decreased. The full economic effects of the pandemic cannot be quantified in the GDP estimate for the third quarter because the impacts are generally embedded in source data and cannot be separately identified. The increase in private inventory investment reflected increases in wholesale trade (led by non-durable goods industries) and in retail trade (led by motor vehicles and parts dealers). The increase in PCE reflected an increase in services that was partly offset by a decrease in goods.

Within services, increases were widespread with the largest contributions coming from ‘other’ services (mainly international travel), transportation services and health care. The decrease in goods primarily reflected a decrease in spending on motor vehicles and parts. The price index for gross domestic purchases increased by 5.4 per cent in the third quarter compared with an increase of 5.8 per cent in the second.

Source: fibre2fashion.com– Nov 01, 2021

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Chinese yarn supply fluctuates

Over the past one month, direct spun PSF and polyester yarn experienced intense fluctuations in China.

The fluctuation of direct-spun PSF is mainly attributed to costs. Prices of direct-spun PSF plants are hit heavily by the participation of spot-futures traders in trades in addition to excessive supply against demand and occupation of re-PSF. Direct-spun PSF plants have to adjust down prices along with costs.

Polyester yarn is more resistant to the decline. Most polyester yarn mills hold pre-sale orders which could last to early November. However, the demand is bearish now.There is no large difference for the spinners to offer 13,500yuan/mt or 13,800yuan/mt, so they do not lower prices so actively. Then the product inventory of polyester yarn increases quickly.

Some believed direct-spun PSF would rebound later amid tight supply and high price of crude oil. Nevertheless, PTA plants now run at over 80 per cent and the processing spread is high within 700 to 800yuan/mt, so it has downward room.

Direct-spun PSF will be hard to change the current weakness and polyester yarn will continue to retreat. Later, downstream weavers will focus on consuming stocks and polyester yarn will step into weakening territory, both price and trading volume.

Source: fashionatingworld.com– Oct 30, 2021

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China to extend tax incentives for foreign investors

China will extend the preferential tax policy for overseas investors investing in the mainland bond market as part of its efforts to promote opening-up and attract foreign investment, the State Council's executive meeting chaired by Premier Li Keqiang decided recently. It will continue to leverage the strengths of its big domestic market and foster a more enabling business environment, the meeting noted.

More will be done to attract foreign investment and encourage more foreign investors to participate in China's domestic development through the bond market, an official news agency reported.

"We will make greater efforts to attract foreign investment, and welcome overseas investors to our bond market on the mainland," Li said.

The meeting decided that the policy to exempt overseas institutional investors from corporate income tax and value-added tax on their bond interest gains arising from investment in the mainland bond market will be extended till the end of the 14th Five-Year Plan period (2021-2025), i.e. December 31, 2025.

Competent departments shall go through the record-filing process with the Standing Committee of the National People's Congress in accordance with laws and regulations, and in the meantime strengthen market regulation and curb irregularities such as excessive speculation and market manipulation.

"We should respond proactively to the concerns of market entities, effectively conduct cross-cyclical adjustments and anchor market expectations to help enterprises survive and thrive," Li said.

Source: fibre2fashion.com– Nov 01, 2021

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China's falling factory activity is a sign of economic woes ahead

China's factory activity contracted more than expected in October to shrink for a second month, hurt by persistently high raw material prices and softer domestic demand, pointing to more economic disquiet in the final quarter of 2021.

The official manufacturing Purchasing Manager's Index (PMI) was at 49.2 in October, down from 49.6 in September, data from the National Bureau of Statistics (NBS) showed on Sunday.

The 50-point mark separates growth from contraction.

Analysts had expected it to come in at 49.7.
China's sprawling manufacturing sector has steadily slowed this year, with output in September growing at its most feeble pace since March 2020 due to environmental curbs, power rationing and higher raw material prices.

In line with the softer headline PMI, a subindex for production slipped to 48.4 in October from 49.5 in September.

A subindex for new orders also contracted for a third month, coming in at 48.8.

"About one-third of the surveyed companies listed insufficient demand as their biggest difficulty, indicating inadequate demand had restricted their production," said Zhang Liqun, an analyst at the China Logistics Information Center. More worryingly, a subindex for output prices rose to 61.1, the highest since 2016 when the statistics bureau started publishing the indicator, suggesting rising inflationary pressures while broader economic growth slows.

"The production index has dropped to the lowest level since it was published in 2005, excluding the global financial crisis period in 2008/09 and the Covid outbreak in February 2020," said Zhiwei Zhang, chief economist at Pinpoint Asset Management. "The output price index rose to the highest level since it was published in 2016. These signals confirm that China's economy is likely already going through stagflation."

Factory gate inflation rose to a record last month on soaring commodity prices but weak demand capped consumer inflation, forcing policymakers to walk a tightrope between supporting the economy and further stoking producer prices.

Analysts polled by Reuters expect the People's Bank of China to refrain from attempts to stimulate the economy by reducing the amount of cash banks must hold in reserve until the first quarter of 2022.

"Production remains weak, indicating the demand problem may be relatively large, and some easing of policy is still needed," said Zhou Hao, senior economist at Commerzbank.

The official non-manufacturing PMI in October eased slightly to 52.4 from 53.2 in September, when services swung back to expansionary at the end of a Covid-fraught summer.
New clusters of Covid-19 returned in October, especially in the north, which could again disrupt economic activity and deal yet another blow to the services sector because of tough restrictions to contain the disease.

"Due to the impact of the epidemic and weather, consumers were more inclined to spend their holidays at home or travel for short distances," said Zhao Qinghe, a senior NBS statistician, in an accompanying statement.

While the transport sector including air and railway services expanded, the growth was relatively weak, Zhao said.

China's official October composite PMI, which includes both manufacturing and services activity, stood at 50.8, down from September's 51.7.

Source: gulf-times.com– Oct 31, 2021

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Cotton Market Remains Ripe for Longer-Term Growth

Greek mythology taught us that the legendary Icarus flew so high that the Sun melted his wings and he crashed to Earth. The Greek cotton industry is in a revival today thanks to demand, and Icarus still soars.

The old crop December futures contract had an impressive week as it broke above its price consolidation mode and moved to higher territory. While it is too early to suggest strong price support rests at the 113-cent level, at least there is mild support there as the contract proudly portrays its new life of contract high close of 114.85 cents.

Too, the market impressively fought off challenges to send prices below 113 cents and closed in the upper portion of the Friday trading range. This new high close has positioned the market to challenge the 118-cent price level which, if successful, would open the door to a challenge of the 125-cent mark.

The market continues to get bullish support from the export market, although there are more than a few chinks in the export market's armor. However, the pure fundamental fact is that on-call sales for the 2021-22 marketing year continue to increase and far outpace on-call purchases. The current scenario is very bullish for prices.

While the on-call discussion is a broken record to many and new to many others, it is nevertheless an old, old cotton fundamental that merchants and domestic mills try to hide from growers. Their collective why is senseless and causes them to err on the side of suspected market manipulation. Too, in the spirit of a transparent marketplace, one would think those cotton sector members would be strong advocates of market transparency.

The on-call ratios are very bullish. Yet, the cotton market does need other bullish fundamentals. Demand does remain strong but is beginning to come into question. However, yarn prices suggest demand is a bullish for cotton prices. Trading at 118-125 cents seems farfetched, but many bailed out in the high 80s, a boatload jumped ship near 95 cents, another group bailed at 108 cents, and now 125 cents is in play.

Granted, I advised all to price out at 95 cents. For those that had any left at a dollar, my advice was that you were on you own, but I remained very bullish. That same bullishness continues. Remember, the market rule:

Never bet against the trend, and the trend is up. We are in historic territory, and the market exhibits every sign of liking dollar cotton. Other than the physics professor reminding us that what goes up must come down, cotton seems to still have good air under it.

The market continues to bet that the March futures contract will not elevate to the same level as December (was) when the December contract expires. Granted, crop availability will be much greater and the same shipping/trucking woes will continue. Yet, as long as yarn prices remain strong, then demand will continue to be the principal driver.

Too, we have previously mentioned that, at times, the market is not trading physical cotton as much as it is trading the textile mills' need to fix the price of cotton already contracted. This, of course, is done by buying a futures contract, and it is this 'buying" of a futures contract that has led prices higher and will continue to do so. Thus, despite increased availability of U.S. cotton, the New York ICE contract will continue to trade dollar cotton.

However, dollar cotton will likely disappear during the April-July 2022 period as the U.S. and the rest of the world began to make final planting decisions for 2022 plantings – and those plantings could be as much as 13% higher than recent world plantings.

We continue to suggest growers should price the 2022 crop at 90 cents and above. Yet, the cotton market will continue to be ripe for prices between 80 and 100 cents into 2023.

Source: cottongrower.com– Oct 29, 2021

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Sri Lanka: Exports poised to achieve 2021 target of $ 16 b

Sri Lanka's total exports has seen sustained growth during the past nine months, suggesting that the near $ 16 billion target for 2021 is achievable.

As per the latest data of the Sri Lanka Export Development Board (EDB) the country's total exports were $ 11.1 billion in the first nine months, reflecting an achievement of 70.63% of the $ 15.72 billion target for the entirety of 2021.

In mid-2021, the EDB upwardly revised the original export target of $15.68 billion to $ 15.72 billion, as post-COVID reopening of the country augured well for a better export performance in 2021.

As per the new revision, EDB expects $ 12.14 billion from merchandise exports and $ 3.58 billion from services exports. Originally, it expected only $ 12 billion from merchandise exports, while services export target remained unchanged.

During the first nine months of the year, merchandise exports were up by 19.3% to $ 8.88 billion from the corresponding period of last year. The estimated value of services exports for the period of January to September was $ 2.2 billion, increasing 23.52% over the corresponding period of 2020. The services exports estimated by EDB consist of ICT/BPM, Construction, Financial services and Transport and Logistics.

January to September earnings from merchandise and services exports also reflect achievement of 73.17% and 62.01% respectively. However, September export earnings fell slightly by 0.4% from previous year to $ 996 million, ending the $1 billion per month achievement in succession between June and August.

Merchandise exports recorded during the Q3 increased by 5% to $ 3,182.8 million compared to the same period a year earlier as well as in 2019 where it increased by 6.7%.

"Earnings show a strong resilience with both merchandise and services exports performing well. We are confident that this trend will continue and I commend all our exporters for their commitment to support the national economy by bringing in the much-needed foreign exchange," EDB Chairman Suresh de Mel said.

He also said that the export performance of September is remarkable, particularly to see exporters› resilience this well amidst challenges in pandemic.

The Chairman assured to extend fullest support to the exporters, noting that he and the staff of EDB are committed to facilitate the export sector in these challenging times.

Major exports in September: Export earnings from Apparel and Textile have increased by 5.83% year-on-year (y-o-y) to $ 457.05 million in September 2021 with strong performance in exports of Apparel (7.71%) and Woven Fabrics (62.73%). On a y-o-y basis, exports of Made-Up Textile Articles and Yarn and other Textile Articles declined by 40.26% and 34.14% respectively. Further, export earnings from Apparel and Textile decreased by 7.01% in September 2021 in comparison to August 2021.

Earnings from Rubber and Rubber Finished products exports increased by 20.04 % y-o-y to $ 96.09 million in September 2021, with strong performance in exports of industrial and surgical gloves (47.65%), Pneumatic and Retreated Rubber Tyres and Tubes (15.31%) and gaskets, washers, seals, etc. of hard rubber (28.72%)

Except Coconut kernel products, export earnings from fibre products and shell products categorised under the Coconut based products increased by 3.98% and 26.73% respectively in September 2021 compared to September 2020.

On a year-on- year, export earnings from Desiccated Coconut, Coconut Milk powder and Coconut cream categorised under the Coconut Kernel Products increased by 9.22%, 10.53% and 29.11% respectively in September 2021. However, earnings from export of Coconut Oil and Liquid Coconut Milk decreased by 31.47% and 13.04% respectively in September 2021.

Being the largest contributor to Coconut based sector, Coco Peat, Fibre Pith and Moulded products which are categorised under the Coconut fibre products, increased by 26.73% to $ 14.08 million in September 2021 in comparison to S. Earnings from Activated Carbon, which is categorised under the Coconut shell products increased by 28.6% in September compared to the same period in 2020.

Earnings from Seafood increased by 39.21% to $ 22.58 million in September from a year earlier. This increase was mainly due to the increase in earnings from export of Shrimps and Prawns, Fish Fresh or Chilled and other edible fish.

Meanwhile, export earnings from Other Export Crops, Paper and Paper products, Non-metallic Mineral Products, Base Metal Products increased by 58.13%, 20.05%, 8.98% and 30.05% respectively in September compared to the corresponding period of 2020.

January-September major exports: For the period of January to September 2021, merchandise exports increased by 19.3 % to $ 8,881.93 million compared to the corresponding period of 2020, following increased exports of almost all the major product sectors; Apparel and Textiles, Tea, Rubber-based products, Coconut based products, Electronics and Electronic Components, Spices and Concentrates, Seafood and Ornamental fish.

Earnings from export of Apparel and Textile increased by 18.5% to $ 3,879.43 million during the first nine months in 2021 compared to the same period of 2020, export of apparel and woven fabrics expanded by 21.4% and 104.62% while exports of Made-Up Textile Articles and Yarn and other Textile Articles were down by 51.31% and 3.74%, respectively.

Export earnings from Tea increased by 7.29% to $ 986.56 million during the period of January to September 2021 compared with the corresponding period of 2020. Exports of all the subcategories of tea sector; Tea packets, Bulk Tea, Tea bags, Instant Tea and Green Tea increased by 10.4%, 3.44%, 33.55%, 28.95% and 33.96% respectively during the first nine months from a year ago.

In parallel, export earnings from Rubber and Rubber finished products increased by 37.19 % to $ 805.06 million in Jan-September 2021 compared with the same period of 2020 attributed to higher exports of Industrial and Surgical Gloves of Rubber (61.59%) and Pneumatic and Retreated Rubber Tyres and Tubes (39.43%).

For the first nine months of 2021, export earnings from Coconut and Coconut based products expanded by 24.14% to $ 608.76 m from the same period last year. Earnings from all the major categories of Coconut based products increased in the period of January-September 2021 compared with the corresponding period of 2020 due to the improved performance in export of Liquid Coconut Milk, Coconut cream, Coconut Milk Powder, Cocopeat, Mattress Fibre and Activated Carbon, Coconut Oil and Desiccated Coconut.

Meanwhile, earnings from export of Electrical and Electronic Components (EEC) increased by 25.75% to $ 309.62 million from January to September from a year ago. Export of Insulated wires increased by 49.52% during the period of January to September 2021 to $ 52.51 million compared with the corresponding period of previous year. In addition, exports of Electrical Transformers, Switches, Boards and Panels and Other Electrical and Electronic Products increased by 47%, 33.24% and 19.72% respectively during the period of January to September 2021 from a year earlier.

Export earnings from Spices and Essential Oils increased by 36.78% to $ 320.8 million in the nine-months from a year ago due to the better performance in all the sub categories; Cinnamon (10.31%), pepper (133.67%), cloves (155.79%), nutmeg and mace (19.20), essential oils (6.63%) and Oleoresins (69.21%), etc.

Export performance in major markets: Strong performances were recorded in 10 major export markets, which accounted for 63% of total merchandise exports from January to September 2021.

During the first nine months, exports to the US – Sri Lanka's single largest export destination – increased by 14.97% to $ 2,175.46 million compared to the same period of 2020. The better performance led to an increase in exports of Apparel and Textile, Rubber based Products (Pneumatic and Retreated Rubber Tyres and Tubes, Industrial and Surgical Gloves of Rubber), Motor Vehicles Parts, Activated Carbon, Tea Packets and Cinnamon.

Exports to the UK – the second largest trading partner – recorded an increase of 2.31% to $ 679.55 million during the first nine months compared to the same period in 2020. It is reflected in the increased exports recorded in Apparel and Textile, Rubber based Products sectors (Pneumatic and Retreated Rubber Tyres and Tubes, Industrial and Surgical Gloves of Rubber) and Other Electrical and Electronic Products.

Exports to the Netherlands increased by over 50% during the period of January to September compared to the same period of 2020. Increased exports to Netherlands led by better performance recorded in Apparel and Textile (73.04%) and Liquid Coconut Milk (49.25%).

Exports to FTA partners: During the period of January to September 2021, exports to Free Trade Agreement (FTA) partners accounted for 7.2% of total merchandise exports increased by 25.25% to $ 635.43 million.

Exports to India and Pakistan increased by 24.97% and 27.66% y-o-y to $ 566.94 million and $ 68.49 million respectively during the first nine months. Increased exports to India is mainly supported by increased exports of Woven fabrics (194.92%) and Bicycles Not Motorised (276.31%) in the first nine months of 2021.

Export performance in regions: On a region wise comparison exports to all other regions increased except CIS regions from January to September compared to same period a year ago.

Exports to the European Union (EU) which comprise 24% of Sri Lanka's exports from January to September increased by 27.78% y-o-y to $ 2,122.48 million.

Breakdown of exports to the top five EU markets which accounted for 80% of Sri Lanka's total exports to the EU were; Germany $ 544.94 million (up by 26.73%), Italy $ 418.69 million (up by 26.78%), Netherlands $ 306 million (up by 51.13%), Belgium $ 243.11 million (up by 14.21%) and France $ 173.95 million (up by 27.28%).

Source: ft.lk – Oct 30, 2021

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Vietnam likely to hit $600 bn in foreign trade by 2021 end: Ministry

Vietnam's target of $600 billion in foreign trade is likely to be met by the end of the year as the national import-export turnover had exceeded $510 billion by October 15, according to the Agency of Foreign Trade under the ministry of industry and trade (MoIT). Its import-export turnover hit more than $26 billion in the first half of October, including $13.16 billion from exports.

Four groups of commodities with an export turnover of $1 billion upwards were garments; phones and components; computers, electronic products and components; and machinery and equipment.

Vietnam earned $254 billion from exports and spent $256.45 billion on imports, resulting in a trade deficit of $2.45 billion by October 15, according to media reports from the country.

According to the MoIT, the monthly trade balance has gradually shifted to a trade deficit since the beginning of the second quarter, and this trend is showing signs of decreasing, with just $100 million worth of trade deficit recorded in August.

The trade balance will heavily depend on the results of the ongoing fight against the COVID-19 pandemic, said MoIT, which would continue to implement a range of solutions to support businesses and promote exports.

Quickly resuming production and boost exports are the most important solution to reduce the trade deficit and move towards a trade surplus in the near future, the ministry added.

Source: fibre2fashion.com– Oct 30, 2021

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Russia keen to improve bilateral trade, investment with Bangladesh

Moscow is keen to improve its trade ties with Dhaka, according to Russian ambassador to Bangladesh Alexander Vikentyevich Mantytskiy, who recently met Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) president Mohammad Jashim Uddin. Due to the lack of direct banking relationship and letter of credit opening facility, the bilateral trade potential is not being fully exploited, Jashim Uddin said.

Besides readymade garments, Bangladesh may export a good number of products, including light engineering products, plastic, medicines and frozen food, to Russia, Jashim Uddin said.

A Russian trade representative is scheduled to visit Bangladesh in November. The envoy promised to hold a trade meeting with the FBCCI during his visit, according to Bangla media reports.

The FBCCI had signed a cooperation agreement with the then Soviet Union in December 1987. Later in 2006, the apex trade body signed a cooperation agreement with The Chamber of Commerce and Industry of the Russian Federation and in 2019, with the Union of Moscow Chambers of Commerce and Industry.

The FBCCI president and the Russian ambassador agreed to re-visit the agreements signed a long time ago.

Source: fibre2fashion.com– Oct 30, 2021

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Trade with South Korea plunges 19%

Bilateral trade between Cambodia and South Korea in the first nine months of 2021 was worth $720.52 million, down by 18.6 per cent from $885.32 million in the same period in 2020, as the recently signed Cambodia-Korea Free Trade Agreement (CKFTA) raises fresh hopes for an uptick in trade between the two countries.

In the January-September period, the Kingdom exported $259.08 million, dipping by 18.55 per cent year-on-year, and imported $461.43 million, falling by 18.64 per cent, data from the Korea International Trade Association (Kita) show.

The CKFTA was signed on October 26 by Minister of Commerce Pan Sorasak and his South Korean counterpart Yeo Han-koo. The agreement is expected to boost exports and employment opportunities, and increase the gross domestic product (GDP) and aid a quick recovery as the two economies emerge from the Covid-19 crisis.

Through the deal, Cambodia hopes to ship more merchandise to the Korean market, especially garments, footwear, bags and other textile-based products; electronics and spare parts; rubber and agricultural products.

Cambodia Chamber of Commerce vice-president Lim Heng told The Post on October 31 that domestic productions chains would face lingering Covid-induced problems throughout this year, and that Korean imports would remain contained.

Acknowledging that Cambodian exports often fall short of consumer demand, Heng believes that the CKFTA will make up a fair amount of that deficit.

“The bilateral trade agreement will not only help attract Korean companies to invest in Cambodia, but some foreign companies that produce for export to the Korean market may open factories as well,” he said.

Hong Vanak, director of International Economics at the Royal Academy of Cambodia, underlined that the Covid-19 crisis had slowed down some production chains and reduced demand for some products as people’s incomes fell.

By the same vein, Korean investment in Cambodian production for export to the East Asian country remains limited, he said.

Although he expects the CKFTA to buoy trade between the two countries, Vanak called on Cambodia to woo more Korean investors and explore how to produce goods that will command high demand in South Korea, noting that consumers there are exposed to a wide range of products.

Cambodia mainly exported garments, footwear, travel products, beverages, spare parts, electronics, rubber, pharmaceutical and agricultural products, and imported vehicles, electronics, kitchen appliances, beverages, pharmaceuticals and plastics, Kita reported.

Under the CKFTA, coupled with the Regional Comprehensive Economic Partnership (RCEP), the Kingdom will lift tariffs on 93.8 per cent of goods traded, with South Korea scrapping duties on 95.6 per cent, Yonhap News Agency reported on October 26 citing the South Korean trade ministry.

And according to Ministry of Commerce spokesman Pen Sovicheat, the trade deal would provide more than 10,000 Cambodian goods duty-free access to South Korea.

Kita figures show that Cambodia-South Korea trade amounted to $884.88 million in 2020, from $1.032 billion in 2019.

Cambodia exported more than $317 million of goods to the South Korean market in 2020, down by 5.4 per cent year-on-year, and imported over $567 million, plunging by 18.6 per cent over 2019.

Source: phnompenhpost.com– Oct 31, 2021

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Pakistan: PHMEA welcomes Dawood's decision of reducing yarn import duty

Pakistan Hosiery Manufacturers and Exporters Association (PHMA)'s Zonal Chairman, Mian Kashif Zia welcomed the decision of Advisor to the Prime Minister on Commerce, Textiles and Investment Abdul Razak Dawood to reduce the duty on yarn import in Sunday's zoom meeting for value added textile Sector. He said that this would not only reduce the price of yarn but also help in controlling the availability of yarn as well as speculation.

He said that at present the prices of yarn are out of control, which is not only affecting our export orders but also creating a volatile situation in the market. He lauded the Prime Minister of Pakistan Imran Khan and Advisor to the Prime Minister on Commerce, Textiles and Investment Abdul Razak Dawood and said that they have always tried to solve the problems of value added textiles on priority basis. He hoped that a notification on reduction of duty on yarn import would be issued soon.

Source: brecorder.com– Nov 01, 2021

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Pakistan: Weekly Cotton Review: Cotton, Phutti rates scale fresh record high

All Pakistan Textile Processing Mills Association sources say industry never faced such type of crisis in its history. In the local cotton market during the last week textile and spinning mills continued their buying. Ginners also remained busy in selling. Overall a bullish trend remained continued in the market while the arrival of Phutti in the market remained continued without interruption.

The rate of cotton in Sindh after increase reached at the historic high level of Rs16000 per maund while the rate of Phutti in Khanpur (Punjab) reached at Rs7700 per 40 kg which is highest in the season. The rate of high quality Phutti reached at highest level of Rs8000 per 40Kg. In this way the rates of Cotton, Phutti and Spot Rate reached at the historic high. Look what happened next.

During the week nominal fluctuation was observed in the rate of cotton. Due to increase in the rates of cotton, many textile mills were facing financial difficulties. Many mills were forced to buy cotton on credit. According to sources in textile and spinning mills, the dollar has risen sharply due to which the price of imported cotton has gone up.

On the other hand, delays in the delivery of cotton yarn and textile products have led to payment problems, while ship charges and hefty fares for containers are also increasing the difficulties.

Although the problems have started to decrease but textile mills have to buy cotton at high prices to cater their needs.

The rate of cotton in Sindh is in between Rs 12000 to Rs 16000 per maund. The rate of Phutti is in between Rs 4500 to Rs 6500 per 40 kg.

The rate of cotton in Punjab is in between Rs 14000 to Rs 15800 per maund. The rate of Phutti is in between Rs 5800 to Rs 7700 per 40 kg. The rate of Banola is in between Rs 1600 to Rs 2100 per maund.

The rate of cotton in Balochistan is in between Rs 14000 to Rs 15800 per maund. The rate of Phutti is in between Rs 6000 to Rs 8000 per 40 kg while Banola is available in between Rs 1600 to Rs 2200 per maund.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs 400 per maund and closed it at Rs 15400 per maund. Chairman Karachi Cotton Brokers Forum Naseem Usman told that overall a bullish trend prevails in international cotton markets. The Rate of Promise (Waday Ka Bhao) of New York Cotton remained stable. Meanwhile, the rate crossed 112 pound but at the end closed at 114 cent.

Although, a slight decrease was witnessed in the export report of USDA as compared to last week. This time too China was on top of the list with more than one lac eighty six thousand bales, Turkey was on number second with more than one lac forty nine thousand bales while Pakistan imported only 12600 bales.

Bullish trend was witnessed in the rate of cotton in Brazil, Africa and China while extraordinary increase was witnessed in the rate of cotton in India and the rate of cotton per candy (356 kg) reached at Rs64500, which is highest in the history of India while Australia had completed its target of export.

According to the experts bullish trend remained continued in the international cotton markets. Meanwhile, Central Cotton Research Institute, the biggest cotton research institute was facing severe crisis, said sources.

It was sponsored by APTMA and comes under the Ministry of Food and Research, which works to increase cotton production. It is an important institute run on cess money paid by APTMA. APTMA paid Rs50 per bail as cess but APTMA had not paid cotton cess since 2017 and they had taken stay order on it from the court.

The research institute is facing serious financial crunch due to non payment of cotton cess by APTMA. Sources in the institute said that the wages of the employees had not been increased since 2017 while employees were not getting ad-hoc relief announced by the government of Pakistan. The institute's annual expenses were around Rs40 to Rs50 Crore.

There were no new appointments for the last ten to twelve years. The institution needs 750 employees but it has only 266 employees. In 2021-22, the institute prepared six new varieties of seeds.

According to the sources, newly elected chairman APTMA Abdul Nasir has promised that association is ready to pay cotton cess amount of more than Rs2billion in twelve instalments. Moreover, APTPMA was passing through the hardest time of history as the prices of raw material such as dyes and chemical have increased many times due to increase in the rate of dollar, as well as, reduction in supply due to recession in international markets.

The rate of coal and petroleum products increased manifolds, besides the suspension of gas supply has affected the industry. These views were expressed by members of the APTPMA in a general council meeting held at APTPMA house on October 25.

"In these circumstances, it is not only difficult but impossible to run value-added textile processing companies," they said. They said that to get out of this crisis, we have to make tough decisions for the survival of this important industry and all APTPMA members have decided unanimously that in a week they should control their under-process cloth so that the future of the industry should be determined.

In case textile processing has to be closed indefinitely, a meeting of the General Body will be convened soon in which the participation of all the textile processing factory owners will be required and in case of absence of the factory owners, it will be understood that they are in favour of closing down their factories.

Source: brecorder.com – Nov 01, 2021

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Pakistan: Exporters uncertain on trading with Afghanistan

As Afghanistan's new administration looks to overcome economic instability by normalizing trade relations with its neighbors, questions are being asked regarding the legality of this.

Amidst the financial hardships for the country, all eyes are on Pakistan as it is still trading with its Afghan neighbor whereas the rest of the world is yet to recognize the new government.

A Peshawar based exporter, who regularly deals with Afghanistan, told the Express Tribune that the little trade happening between the two countries was legal. "We are trading with Afghanistan under the Afghanistan-Pakistan Transit Trade Agreement 2010, an agreement which cannot be affected unilaterally and it requires both the country's consent to end the agreement," he said.

However, another trader requesting anonymity due to security concerns, while talking to the Express Tribune, inquired, "our agreements were with the previously politically elected and recognized government. Now when they do not have a globally accepted setup in Afghanistan, who do you deal with?"

Citing recognition as the most important factor while dealing with the global community, the trader said that since the Taliban government had not been recognized by the world, the trade currently going on between Pakistan and Afghanistan was illegal.

Currently, Pakistan exports chicken, cement, fresh and vegetables, meat, maize, and other daily commodities to its neighbor.The trade between the two is estimated to be between 2 to 4 billion dollars and some traders state that if the current Taliban setup was legitimized by the globe it could grow to around 10 billion dollars per year.

"There is a clear policy of the State Bank of Pakistan that importers will have to pay in dollars but since Afghanistan's dollar accounts are frozen how can we term this trade as legitimate," the trader questioned.

However, a senior Customs official, while talking to the Express Tribune said that all such trade illegality claims were nonsense. "Afghanistan has always been extended special treatment and we have traded with them in local currency before which was once questioned by the National Accountability Bureau (NAB)," he informed, "NAB was later informed that it was the ministry of commerce which decided terms and conditions for trade and the case was later dismissed."

The customs official was of the view that even though Afghanistan's accounts were frozen, there were no United Nations (UN) trade sanctions on the country so nothing was illegal.

"In August or September, I don't remember the exact dates but Taliban stressed upon deals in local currency until their banking sector developed further and since there were no UN sanctions on them it was mutually agreed to trade in local currency," the senior official informed.

Other experts weighing in on the matter believe that since Afghanistan is a landlocked country with only two border crossings mostly used for trade and it would lead to a human catastrophe if bilateral agreements, like Afghanistan-Pakistan Transit Trade Agreement, were withdrawn and the country was forced to trade in dollars.

Source: tribune.com.pk– Nov 01, 2021

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Pakistan: Textile exports in jeopardy as cotton goes north

Surging cotton rates in local and global markets are feared to hit Pakistan's textile exports hard as a huge increase in cost of production would drastically compromise their competitiveness, industry officials said on Saturday.

Spike in the cotton prices comes at a time when textile exports are on an upward trajectory, while the largest exporting sector struggles with high cost of energy, shortage of gas, rising shipping charges, etc.

Pakistan's textile exports in the first quarter of this fiscal year rose 27 percent to $4.420 billion compared to $3.469 billion in the same period of the previous year.

Cotton rates surged to Rs16,000/maund (37.2kg) in Sindh, the highest in the season, whereas they are also witnessing a rising trend in Punjab and Balochistan, according to cotton arrival reports.

Because of the high cost of cotton, the textile sector has started pondering over how to deal with the situation.

The textile millers in Faisalabad region recently huddled up to find a solution to maintain the growth momentum in textile exports.

According to cotton brokers, high prices of cotton are putting textile mills into tight financial spot as they are compelled to buy cotton on credit, creating debt.

On the other side, prices have also gone up in world market and this hike has become more pronounced for Pakistani importers due to a massive depreciation of rupee against dollar in the last several months.

Pakistan is more or less bound to import the natural fibre to meet textile industry demands as local production is not sufficient to feed the industry.

Cotton price in India has also reached the highest level whereas they are also on the rise in USA, Brazil, China, etc. World cotton markets are expected to remain on the higher side in the days to come.

Pakistan registered the lowest cotton production in the last season when it fell to its lowest level in 30 years to 5.5 million cotton bales.

The government has set a target of over eight million bales this year.

Brokers believe that production numbers would be higher than the last year; however, it might fall short of target.

For the current fiscal year, the government has set a target of $20 billion for textile goods exports, which stood at $15.5 billion in the last fiscal year.

Source: thenews.com.pk – Oct 31, 2021

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Bangladesh: Let's build the RMG park of the future

A decade ago, global management consultant McKinsey published a report titled "Bangladesh's Ready-Made Garments Landscape: The Challenge of Growth." To prepare the report, McKinsey collaborated with the Bangladesh-German Chamber of Commerce and Industry and interviewed many leaders in our RMG industry. The landscape then was clearly different from what it is now, especially given the impact of the Covid-19 pandemic for the past 18 months. It was, therefore, interesting to read an update to this study, which was published earlier this year.

The conclusions drawn by McKinsey's 2021 report on Bangladesh's RMG industry are that it is faced with major challenges brought about by the Covid-19 pandemic as well as the shifts in global markets. McKinsey said the RMG sector in Bangladesh would need to innovate, upgrade, and diversify moving forward. This will require investing in flexibility, sustainability, worker welfare, and infrastructure. In short, there is still much work to be done.

The report lauded our greater capacity to produce garment products with synthetic fibres, and manufacture more complex products such as outerwear, tailored items and lingerie. It also praised our ability to provide new washes, prints, and laser finishes, while noting some increase in vertical integration of the supply chain, with the result being that more suppliers are now able to offer lead times below the standard 90 days.

But the overriding message is clear: we must go further.

In another 10 years' time, do we want to receive this same message? How can we turn our RMG industry into a leading, innovative, sustainable powerhouse in the world, with a heavy focus on R&D and rapid product turnaround? Perhaps it is time for us to start imagining the RMG industry of tomorrow in order to future-proof our most valuable export sector. Actually, let's go a step further: perhaps, it is time to start building that industry.

Underpinning such an industry, I believe, will need smart and sustainable business parks. It can be challenging to "retrofit" futuristic technologies into existing factories or locations. This is because so many changes have happened in terms of sustainability-related technology in the past two decades—sometimes, it is just easier to start from scratch.

The new sustainable business parks, which could be developed with public-private partnerships, would be characterised by a number of features.

Firstly, they would be developed sustainably from the ground up. Each business could follow the guidance of an environmentally-friendly site master plan, drawing heavily on the best international practices in such areas. All of the buildings would adhere to the highest international standards for green design and layout. In fact, many RMG factories in Bangladesh are already Leadership in Energy and Environmental Design-certified, but there are additional measures that can be taken with a specific garment-production focus.

There would be a major focus on the use of renewable energy, including solar and wind energy, in these parks. Solar power, in particular, is one sector of renewable energy where huge technological strides have been made in recent years. In addition to the wide scale adoption of cleaner production and water-saving technologies, a central rainwater harvesting system could be installed, which could be used by all tenants. Water is our most precious natural resource, and Bangladesh is a water-stressed country. We need to start preserving it.

The sustainable business park of the future would be vertically integrated. Vertical integration is the holy grail for any textile manufacturing hub—just ask China. It shortens supply chains, boosts economies of scale, allows a faster turnaround of products, and enables more export receipts to be retained in exporting countries. What's there not to like? We have to think more about how we can bring more stages of production under one roof in Bangladesh. If building a structure from scratch is the way to do that, then that is the road we need to take.

There are other arguments in favour of developing business parks of this nature from scratch. For a plethora of reasons, such parks provide a major boon for inward investment, particularly green finance.

Smart and sustainable business parks would include a sludge treatment facility, with further trials already underway for responsible disposal. These include tests using microalgae to break down sludge, as well as utilising sludge to fuel furnaces and as bricks with a bio-mat mask. The most sophisticated Common Effluent Treatment Plant (CETP) would provide treatment facilities for all tenants.

Finally, there are other aspects of sustainable business parks that could be considered. Could they incorporate a central design facility? What about a central research and development facility on site? The benefits of centralising such facilities—and making them available to all site park tenants—are major economies of scale.

Developing such futuristic parks would enable Bangladesh to think 20, even 30 years ahead—of a time when being fully sustainable will be the norm, rather than the exception to the rule. Our RMG factories are already incorporating many of the ideas and technologies discussed above. But are they all being developed from scratch, in one location, which would surely act as a magnet to an inward investment community that always has one eye on the future?

If we were to begin developing smart and sustainable business parks in Bangladesh, I have no doubt the green investors would sit up and take notice. Together, they could help us build the garment production hub of the future.

Source: thedailystar.net – Nov 01, 2021

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NATIONAL NEWS

G20 has delivered a strong message of recovery from the Pandemic- Shri Goyal

Minister for Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal, today said that India will continue to be a voice for the common citizen of developing countries and emerging market economies in the G20.

He was briefing the media on the outcomes of Prime Minister, Shri Narendra Modi's participation in the recently concluded 16th G20 Summit, in Italy today.

This was the Prime Minister's 8th G20 Summit since 2014 and 1st in-person Summit since the Osaka Summit in 2019. The theme of Summit under Italian Presidency was 'People, Planet, Prosperity', with an overarching theme of recovery from the pandemic across pillars of health, economy, employment & education & tourism, and climate action.

The Prime Minister participated in all 3 Summit Sessions- on Global Economy and Global Health; Climate Change and Environment and Sustainable Development. The Leaders adopted the Rome Declaration at the Summit.

Shri Piyush Goyal expressed his satisfaction at the recognition of COVID-19 immunization as a global public good by the G20, and at the extension of G20 Debt Suspension Service Initiative (DSSI) till the end of this year, which would result in debt deferment of $ 12.7 bn between May 2020 and Dec 2021, benefitting 50 countries.

Speaking of Agriculture, Shri Goyal said that India had pushed and obtained consensus on improving the livelihoods of small and marginal farmers.
On energy and climate, instead of only focusing on the climate goals, India along with other developing countries was able to introduce language on what actions need to be taken including by developed countries to achieve these goals.

For the 1st time, the G20 identified sustainable & responsible consumption & production, along with provision of finance & tech as "critical enablers" for achieving climate goals of keeping 1.5 degrees within reach

This is line with PM's vision of promoting the mantra of sustainable lifestyles all over the world. Sustainable consumption and responsible production patterns is coming from SDG 12, and is aimed at encouraging developed countries to reduce their luxurious energy intensive lifestyles

Shri Goyal said that India has pushed for the inclusion of the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), enshrined in the UNFCCC and its Paris Agreement, as the basis for climate action. "India pushed for an explicit recognition that the goal of developed countries making available $100 Bn per annum through 2020 has not been achieved, is expected to be met no later than 2023", he added.

Shri Goyal also spoke of the G20's commitment to mobilise international public and private finance to support green, inclusive sustainable development and the commitment to put an end to the provision of international public finance for new unabated coal finance abroad by end of 2021

He said that the G20 also emphasized the importance of maintaining undisrupted flows of energy from various sources, suppliers and routes. He spoke of the need for exploring paths to energy security and stability of energy markets. The Minister said that language on recognizing the role of Coalition for disaster resilient infrastructure (CDRI) in accelerating the agenda of sustainable urban planning was also introduced.

Underscoring the achievement of the G20 framework on base erosion and profit sharing, Shri Goyal said that it was a historic accomplishment for a more stable and fairer international tax system

The Minister said that the G20 had acknowledged the importance of shared standards for seamless travel including testing requirements & results, vaccination certificates & mutual recognition of digital applications. "G20 reaffirms the role of data for development", he added.

Shri Goyal said that India also pushed for language on ending gender-based violence and increasing women's participation in the workforce; also language denouncing uneven distribution of unpaid care and domestic work

Source: pib.gov.in- Oct 31, 2021

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India and the UK to begin trade negotiations

Negotiations over a proposed India-UK Free Trade Agreement (FTA) will begin today.

Negotiations will be led by Indian Minister of Commerce and Industry Piyush Goyal and the British Secretary of State for Foreign, Commonwealth and Development Affairs Liz Truss. Initially affirmed in July of 2020, the Agreement seeks to strengthen the two nations' already robust economic ties.

The negotiations are set to last until early 2022 with an interim 'early harvest' agreement to be announced in March. The initial pact will likely include tariff reductions and market access concessions for both parties in key industries including textile and pharmaceutical manufacturing.

In the wake of Brexit, the UK has sought to expand its international trade with a series of FTAs and India is a key target of these efforts. So, expect the UK to be eager to reach an agreement quickly, potentially offering additional concessions to do so.

Despite eagerness to reach a deal, negotiations may stall on the issue of agricultural exports. Shares of UK agricultural exports have fallen dramatically in the last 20 years, and the government has expressed hesitance regarding any reduction in tariffs or barriers on agricultural products. As such, expect the majority of contention to be focused on this area.

Source: foreignbrief.com- Nov 01, 2021

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Drop proposed tax rate hike on textiles: Chamber

The Tamil Nadu Chamber of Commerce and Industry has said that the GST council should drop its proposal to increase the base rate of GST on textiles and clothing from 5% to 12% from January 1, 2022.

President of the chamber, Dr N Jegatheesan, has said that the traders and industrialists engaged in the textiles and clothing business are perturbed and shocked due to the GST council's proposal to increase the GST base rate on textiles and clothing.

He said that at present, 12% GST is levied on garments above Rs1,000 and 5% GST on garments below Rs1,000. If the GST rate is increased, less expensive clothes will also have to be charged 12% GST. In our country, textile readymade garments and knitting units are mostly cotton based industries, and they are producing a large portion of traditional garments such as dhoties and sarees.

They are mainly used by people in the 'middle income' group and those below the poverty line. If an additional tax burden is imposed on them, it will only lead to consumer negativity. The GST council's proposal for a tax base rate hike on textiles and clothing will greatly cripple the textile sector as the costs of raw materials such as yarn, fuel, packaging products and transport continue to rise day by day and they have already been struggling hard to bring their business back on track, which was badly hit by the Covid-19 lockdown.

MSME units engaged in the textile sector are slightly recovering by availing additional loans under the emergency credit assistance scheme of banks. The 7% tax increase will adversely affect the textile industry, especially the MSME units. Nearly 11 million workers are employed in knitting, including readymade garments units in our country. Of these, eight million are in the domestic sector and three million in the export sector. A considerable number of workers are also engaged in embroidery and packing units indirectly.

There has already been a 15-20% price increase in the final price of production in the textile sector. While consumers have already been reeling under job losses, wage cuts and rising prices of essential commodities, the 7% tax hike on clothing and apparel will lead to a sharp decline in the consumption and their livelihood will be severely affected.

Source: timesofindia.com – Nov 01, 2021

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India Inc faces margin pressure as costs pinch

Companies across segments — including FMCG, cement, paints, and consumer durables — are witnessing a pressure on margins with increasing raw material costs. While Q2 gross margins (and EBITDA in some cases) levels have taken a hit due to input price rise, most companies are now hinting at a price rise post Diwali.

Consumer goods companies have witnessed unprecedented inflation in several key raw material.

Cost pressure

Sanjiv Mehta, CMD, HUL — the country's largest FMCG player — during an earnings call said prices for many commodities continue to be at multi-year highs. Although tea prices have softened versus record levels of 2020, prices are still high compared to 2019 levels. Further, global supply chains are witnessing massive disruption, with shortages of shipping containers, skyrocketing shipping rates, congestion at ports and the recent energy crisis in China.

According to analysts, edible oil prices have climbed by 35–50 per cent year-on-year, while that of crude derivatives, a key material for paint companies, has jumped by 30 per cent y-o-y.

Amit Syngle, CEO and MD, Asian Paints, said during the earnings call, " We have never seen, I think in the last 3-4 decades, inflation which is so strong. And overall inflation is closer to about 18–20 per cent when we see from a Q3 of last year."

UltraTech — the largest cement-maker in India — in its quarterly earnings call, spoke of coal shortages. Fuel prices have seen an unprecedented rally of $50 jump in less than a month (as on October 18) added to the stock built-up requirements of West and North Asia for the winters.

In India, "all the coal supplies were being diverted to the thermal power plants". Hence switching back to petcoke — whose prices are up 2x — "makes economic sense", the company management said.

Margin pressure

HUL saw a decline in gross margins in Q2FY22 by over 150 basis points y-o-y – indicative of raw material pressure – to 50.8 per cent (52.3 per cent) while EBITDA margins dropped 40 basis points y-o-y to 25 per cent. The company management said it remains “cautiously optimistic about coming quarters” but reiterated that “gross margins are likely to remain under pressure”. The company hinted at “judicious pricing actions coupled with cost agility and savings programmers''.

Another of India’s larger food companies, Nestle, saw a 240 basis point dip in gross margins y-o-y. Margins stood at 55.7 per cent in September quarter end (against 58.1 per cent in the year-ago-period) and EBITDA margins dropped 90 basis points y-o-y to 24.5 per cent. The company has said that price of nine out of 13 major raw materials are “close to or at 10 year max levels” while high inflation persists across the board. Inflationary pressures are expected in the coming quarters too.

Marico — makers of Parachute coconut oil — saw over 560 basis points dip in gross margin to 42.5 per cent (48 per cent year-ago) primarily on account of increase in edible oil prices. The company expects gross margins to improve sequentially in Q3 and Q4. It expects an improvement in operating margins to play out only in Q4, given that ad spends will rise from Q3 and a large part of the benefits of a second round of cost rationalisation measures will start accruing in Q4.

Asian Paints — the country’s largest paint maker — reported a gross margin of 12.7 per cent, a multi-quarter low in Q2FY22, and down from 16.4 per cent in the preceding three months. In an analyst call, company management said that its aim is to maintain operating margin within a band of 18–20 per cent through a mix of cost savings and “calibrated product price increases to offset input cost rise”. Till September 30, the company took a price hike of 7 per cent against a 21 per cent material inflation.

Price hikes

Analysts tracking the sectors say price hikes are inevitable if companies are to maintain margins.

For instance, paint companies have already alerted their channels of a 8–12 per cent price hike November onwards. Channels BusinessLine spoke to said Asian Paints & Berger Paints — two of the largest in the sector — have called for 9 and 8 per cent hikes, respectively, their sharpest and highest ever this fiscal. There have been two to three price hikes in paint prices already this fiscal.

Asian Paints management in their earnings call said, “We have taken a series of price increases and would look at further price increase to mitigate the impact of this persistently high inflation. We are confident that we should be able to turn this around in the coming quarter.”

Berger is yet to declare its Q2 results.

UltraTech Cement’s ED and CFO, Atul Daga, during its earnings call said the company initiated price hikes as late as in October. But these “are not enough”. Prices have gone up by 3–7 per cent or ₹10-15 per bag on an average depending on regions in India.

“Sometime during the month of October we increased the prices in almost all the regions, the prices are now back to where they were pre-monsoons. This is certainly not enough to cover cost pressures,” he said, adding that “...there is a general expectation among infra players in dealer community that price rises are imminent. So, there is very little resistance.” The cement industry, Daga said, would require a minimum of 10 per cent price hike to go back to Q1FY22 margin levels.

Price point rises

As per Nielsen, FMCG demand saw moderation in August and September. HUL’s Mehta, while commenting on price hikes, said, “The price increase happens in two ways. One is when you take the MRP up, the other is when you reduce the quantity of products in a pack. When it comes to price point packs, the price increase happens when you reduce the quantity of product in a pack while protecting the price point.

While you protect the price point, because of the reduction in quantity, this has an impact on your volume growth coming down, even though the number of units may remain same.” “So for us, keeping the consumer franchise intact and protecting the business model when the environment is volatile is very critical,” he added.

Source: thehindubusinessline.com– Oct 31, 2021

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India-EU trade talks to resume by December

India-EU connectivity partnership a 'counterfoil' to other such initiatives, says official

After an eight year hiatus, India and the European Union (EU) are set to resume negotiations for a Bilateral Trade and Investment Agreement (BTIA) by December, according to a Government official. Another official termed the India-EU connectivity partnership, announced in May, as a "counterfoil" to other such initiatives in an indirect reference to China's Belt and Road Initiative (BRI).

"India-EU trade talks are set to start anytime by end of the year... We have prioritised and discussions will now go forward. It will be comprehensive talks," the official said on the sidelines of a report launch on Thursday.

At the India-EU summit in May this year, the two sides had agreed to resume talks for BTIA that were suspended in 2013 and also adopted a Connectivity Partnership document outlining plans to cooperate on digital and ionfrastructure projects.

"When we were negotiating this document, one thing which was there in the back of our minds... was that we want to make it a counterfoil or an alternative to some existing connectivity initiatives.... We were very conscious of that...," said Sandeep Chakravorty, Joint Secretary (EW), Ministry of External Affairs on the Connectivity Partnership document.

He was speaking at the launch of the report 'India-EU Connectivity: Partnership for Development, Demand and Democracy' organised by the think tank Research and Information System (RIS) for Developing Countries.

"Emphasis on our values, inclusiveness and transparency, local environment, avoiding debt trap... These may not find mention in the partnership but they were part of our discussions and we have been careful to infuse elements of it...," Mr. Chakravorty said in an indirect reference to China's Belt and Road Initiative (BRI) which has come under criticism for creating debt traps on smaller countries. "The two important elements that reflect that spirit are private sector involvement and people to people connectivity," he stated.

Negotiations for a similar pact with UK are expected to kick off from November 1, with both sides looking forward to firming up offers for an early harvest pact by the end of this month. India and UK have set a March 2022 target for an interim trade agreement to be concluded, setting the stage for a broader pact later. In this regard, the official cited earlier said India-UK talks will begin before the India-EU talks.

On the connectivity roadmap, Mr. Chakravorty said the focus areas were connectivity within the country, building connectivity with Europe and in that process work other countries in South Asia and so on, also working with third countries, trade agreements, climate change and Info-Pacific. Stating that the priority is trade agreements, he said that they are also working on secure supply chains. “There is reciprocal interest,” he added.

Giving an overview of the report, Prof. Sachin Chaturvedi, Director General, RIS said the report is based on the India-EU connectivity roadmap and the report covers three main areas — trade and investment. science and technology and Sustainable Development Goals (SDG). “It covers the broad contours of connectivity linkages and its various forms along with trade and investment linkages and also tries to explore a roadmap for effective implementation of Agenda 2030,” he said.

Speaking at the event Ambassador, Delegation of the EU to India and Bhutan, Ugo Astuto, said connectivity covers not only physical infrastructure but also the regulatory framework which is very important. Stressing on the principles underpinning connectivity, he said it needs to be grounded on democracy and rule of law.

He said that it is their view to leverage the European Investment Bank (EIB) for the connectivity which is already financing a series of projects and metro networks across the country including Bengaluru, Kanpur and Lucknow.

As a part of the steps to implement the roadmap, there would be stakeholder workshops to identify specific projects and a forum in 2022 to finalise them, officials added.

Source: thehindu.com– Oct 29, 2021

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United States Trade Representative Katherine Tai to visit India on November 22

United States Trade Representative (USTR) Katherine Tai will travel to India next month to discuss the US' commitment to the Indo-Pacific region with government officials and stakeholders.

This will be Tai's first official visit to India.

Tai will begin her Asia trip from Tokyo on November 15 and reach New Delhi on November 22 from South Korea, the USTR said on Friday.

"USTR Katherine Tai and Deputy USTR Sarah Bianchi will travel to Tokyo, Seoul, and New Delhi to meet with government officials and stakeholders to discuss the enduring US commitment to the Indo-Pacific region and to strengthen trade and economic relationships with key allies and partners," USTR said in a statement.

Tai will return to Washington, DC on November 24.

The visit comes amid the two sides planning to hold the India-US Trade Policy Forum, after four years, wherein key bilateral trade issues especially the ones related to intellectual property rights are expected to be taken up.

Washington has partially supported the India-South Africa proposal on waiver of certain provisions of copyrights, industrial designs, patents and protection of undisclosed information in the Trade-Related aspects of Intellectual Property Rights (TRIPS) agreement for prevention, containment or treatment of Covid-19. It is now sponsored by 64 WTO members.

Tai's visit also assumes significance as the ministerial conference of the World Trade Organization is being held from November 30-December 3 in which the members want to to reach an agreement on the global response to the pandemic and India wants the waiver proposal to be part of the response.

Source: economictimes.com– Oct 30, 2021

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The Shift in Textile Retail Segment: Here's What Consumers are Looking for

Indian textile industry is one of the biggest employing industry estimating employment opportunities of 45 million people nationwide. With a long stretch from farming to selling the apparel to customers, the industry contributes GDP of 2.3 percent as recorded by the National Accounts Statistics (2016-2017).

Textile wholesale segment is a much diversified sector because it involves several stages for final productions. The mix involves farming, cutting, dying, weaving, stitching, embroidery etc. These are initiated at wholesale segment and carried forward to the Textile Retail Segment. Textile retail segment is one of the fastest running segments as you will find door to door outlets all over India, as India is the most popular textile hub globally.

Expectations Of Customers From Textile Industry

Nowadays, consumers are becoming more knowledgeable in terms of textiles and clothing. E-commerce market and the TV world has given people clothing goals. Considering this, you will find two types of people in the market. Firstly, there are people who shop directly from the readymade clothing stores. Secondly, you will find people who love to create their own designs. Hence, they end up at textile stores where they can do the match and mismatch of clothing.

Consumer's thus expect a lot of things from the textile industry for several reasons. One of the core expectation is how organic and natural the fabric is, in terms of comfort. The textile world is quite diverse, especially in India. Now people can compromise on the price when they are more inclined towards quality. This has increased pressure on the textile industry as the quality highly matters. For instance, cotton, lycra, rayon etc. are being more popular today because of its level of comfort.

Another aspect is the colors and patterns obtained for a beautifully designed fabric. Plain colors, block print, screen print, embroidery and a lot more, the textiles offer all, considering consumer choices. Cities like Jaipur, Bikaner, Surat etc. are accordingly secluded varying with the textile obtained here. Popular fashion designer Sabyasachi too stated "his Crore worthy apparels are designed over textiles especially bought from a small retailer in Jaipur". Climatic conditions and habitat make India diverse in terms of textile varieties. This has also led to increased consumer demand because premium quality lies right in the country.

Most Popular Textile Retail Segment In India

Cotton is the most commonly bought textile for both wholesale and retail segments. It is prominently known for its versatility for being shirts, t shirts, kurtas, shorts and what not. The cotton and cotton blend textile retail segment also allows most innovations and designer ideas. Famous brands such as Beyoung prominently deals in apparels made in cotton because of the unbeatable comfort.

Rise In Textile Retail Segment In India

The textile retail segment in India is growing immensely. The scenario is estimated as $103.4 billion in 2020-21. It is further expected to take a rise to $ 190 billion by 2025-26.

Cotton consumption across India is estimated to be $75 billion which is further segmented according to customer usage. $55 billion is used by people for making apparels at both wholesale and retail segments. $15 billion is used for technical textile consumption and an amount of $5 billion is dedicated to home furnishings. This cotton production is also used more for exports all across the world.

Consumers today are expecting better fabrics which can cope up with the weather and provide utmost comfort. The textile retail segment is sticking to it to the fullest and has thus experienced immense growth. According to reports, textile industry has valued exports worth $1297.82 billion by August 2021 and is expected to rise by 55.62% over years.

Growth rate of textile retail segment expected a growth of 8.7 percent from fiscal year 2015 to 2020, which is expected to increase rapidly.

Source: indiainfoline.com– Nov 01, 2021

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Recovery Continues

Recovery continues

Operating margin comes under pressure for India Inc

The Q2 results of 738 listed companies indicate economic recovery is continuing. But base effects are easing and profit growth is moderating. The base quarter (July-September 2020) saw activity boosted to an extent by pent-up demand, while April-June 2021 was hit by the second wave. The results are being compared sequentially (QoQ) and annually (YoY) to adjust for the effects. The turnover is up YoY and QoQ. So are profits, at net and operating levels. But profitability growth rates have fallen, and operating profit margins (OPM) have declined. Interest costs are declining, but other expenses have risen. Inflation is impacting margins. At aggregate, net sales of ₹13.9 trillion are up 27 per cent YoY and 13.9 per cent QoQ. Operating profit (PBDIT) is up 10.9 per cent YoY and 8.9 per cent QoQ. The cost of financing is down 7 per cent YoY and 0.4 per cent QoQ, despite a higher turnover. Profit after tax (PAT) has risen 26.3 per cent YoY and 18.5 per cent QoQ.

Excluding volatile sectors like refineries, banking, and finance, net sales are up 28.5 per cent YoY and 16.5 per cent QoQ. Operating profits are up 18.9 per cent (YoY) and 10 per cent QoQ. The OPM has fallen to 22.25 per cent from 23.5 per cent in Q1, 2021-22. PAT is up 27 per cent YoY and 16.9 per cent QoQ. Interest costs have dropped 10.6 per cent YoY and 6 per cent QoQ. Power and fuel costs have soared 31.5 per cent YoY, and 10.5 per cent QoQ. It's no surprise the power sector has seen a 219 per cent rise in QoQ profits on a 9 per cent rise in sales. Employee-related expenses are up 18.5 per cent YoY and up 4.3 per cent QoQ. The cost of finished goods is up 51.7 per cent YoY and up 23.5 per cent QoQ. Raw material costs rose 19.3 per cent QoQ and 40 per cent YoY. For 22 listed banks, net sales are up 13.6 per cent QoQ, which is a good sign of credit growth. Banks' fee-based incomes are also up 13.4 per cent QoQ. The cost of finance is stable, and PAT is up 8.8 per cent QoQ. Sales for non-banking financial companies are also up 11.6 per cent QoQ.

There are mixed consumption signals. There's an 18 per cent sequential rise in sales for four auto majors. Similarly, auto ancillaries have seen a 32 per cent QoQ rise in sales. The gems and jewellery segment has seen a rise of 97 per cent in QoQ sales, and 394 per cent rise in PAT. But fast-moving consumer goods sales growth was anaemic at 6 per cent QoQ with PAT growth at 3 per cent QoQ. Among export earners, the IT industry has faced margin compression, with 5 per cent growth in sales (QoQ) versus 3 per cent growth in PAT. Pharma margins have done better, with 3 per cent QoQ growth in sales, and a 20 per cent rise in PAT. The textiles turnover is up 32 per cent QoQ and PAT is up 92 per cent. There are some less encouraging signs. Cement sales have declined QoQ, though Q2 is always soft. The global metals cycle is weaker. Non-ferrous metals saw a 6 per cent fall in sales, QoQ. Steel had 17 per cent QoQ rise in sales but only 7 per cent rise in PAT. Overall, inflation looks to be a worry but economic activity continues to recover, in an uneven fashion.

Source: businessstandard.com– Oct 31, 2021

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Indian home textiles group Welspun achieves highest quarterly revenues

Welspun India, a global leader in home textiles and part of Welspun Group, has posted a 25.5 per cent revenue growth to ₹25,014 million in the second quarter (Q2) of FY22, ended on September 30, 2021, over the revenue of ₹19,926 million in the same period of last fiscal. The company's profit for the period rose to ₹2,015 million (Q2 FY21: ₹1,879 million).

Bath linen sales volume in the three-month grew by 16 per cent, followed by bed linen sales volumes which surged 4 per cent, and rugs and carpets sales volume advanced 29 per cent over the second quarter of 2020, according to the company.

"Our markets like US and UK have been showing strong consumer spending. In India, economy is coming out of pandemic led slowdown with strong demand supported by monetary policies and fiscal stimulus from government," BK Goenka, chairman at Welspun Group, said in a press release.

"In this backdrop, Welspun delivered a strong second quarter, achieving highest revenues, growing in double digits and stepping up profitability sequentially. Large parts of our business continued to gain market share and penetration," Goenka continued.
During the quarter, EBITDA went up 5 per cent to ₹4,237 million (₹4,048 million), while total expenses stood at ₹22,180 million (₹17,388 crore).

By segment, sales from home textiles increased by 23 per cent to ₹23,749 million (₹19,242 million). Flooring segment sales doubled with 107 per cent sales hike to ₹1,596 million (₹772 crore).

"The continued challenges in the form of high input costs, increasing energy prices and global logistic issues need to be navigated cautiously. At Welspun India, we are well placed to capture the growth opportunity with innovative product offerings, judicious capital deployment and optimum utilisation of our distribution network," Goenka said.

Source: fibre2fashion.com– Nov 01, 2021

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Trendy clothes that are gentle on the earth

The textile industry needs to find ways to thrive without environmental damage

Thanks to e-commerce and the ease of business it facilitates, the textile industry has grown remarkably. Fast fashion that captures popular imagination dictates that new trends must hit the market virtually every day.

But the glitter and glam come with a heavy toll on the environment. Historically, apparel brands and textile manufacturers have been guilty of using large volumes of water for dyeing, washing, and printing. Add to that the post-consumer waste choking landfills, waterbodies and drainage systems, causing soil pollution.

A circular economy has emerged to help the textile and garment industry prosper without excessive environmental damage. The Circular Apparel Policy Innovation Lab, a project of the Delhi-based think tank Centre for Responsible Business (CRB), stresses on a circular economy in which materials and energy circulate in loops within the value chain. It is opposed to the take-make-dispose linear system.

Over the last decade the water used for dyeing has been cut by 40-50 per cent. And textile clusters are considering using treated municipal water to reduce the use of freshwater. But more needs to be done.

Says Ramanuj Mitra, Senior Programme Officer at CRB: “Brands and manufacturers are taking cognisance of the problems, especially those created by fast fashion. Brands have skilling programmes for workers. R&D has yielded better technologies. There is now carbon dioxide-based dyeing, where water is not required.”

But the word “sustainability” is often used as a greenwashing tool. Says Ananthoo, co-founder of Tula India, a sustainable brand: “There are brands which claim to be sustainable but only use 5 per cent organic cotton while the rest is BT cotton, harmful for the environment.”

At the Tirupur textile and garment cluster, near Coimbatore, a zero liquid discharge regulation is in force — about 96 per cent of the process water, salts and dyes is recovered.

Such innovations must be replicated. But, more importantly, customers must insist on sustainable clothing. They must also think twice before discarding clothes and going on a buying spree.

Source: thehindubusinessline.com– Oct 31, 2021

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Duroflex to cross Rs 1,000-cr topline mark this fiscal as demand booms

Duroflex uses German foaming technology and was the first to launch the first doctor-recommended orthopedic mattress under the brand name of Duropedic.

Duroflex, the second largest mattress brand with around 20 per cent market share, is on course to become a Rs 1,000-crore brand this fiscal, beating its own target of doing so next year, on the back of a better-than-expected economic recovery and the resultant demand boom in the first half of the year.

Last November, the Alappuzha, Kerala-based company had told PTI that it was expecting to cross the Rs 1,000-crore topline milestone by FY23, as the economy was just stuttering out of the first wave of the pandemic.

Even though the second wave was much more debilitating in terms of loss of lives and for the unorganised economy, discretionary spending has been growing as the economy wasn't totally shuttered during the second wave.

"Our topline has already crossed Rs 450 crore in H1 of the current fiscal, as against Rs 600 crore in full FY22 and just about Rs 190 crore in H1FY22 which was ravaged by the pandemic. Going by the demand boom, I am confident that we'll be able to cross or touch the Rs 1,000-crore revenue milestone this fiscal itself because our volumes are already much more than the pre-pandemic level," Mathew Chandy, the managing director of Duroflex, told PTI on Sunday from his Bengaluru-headquarters.

On sales in the first half of the fiscal, he said the company has already sold 10 lakh units worth over Rs 450 crore, (as there was unsold inventory last year), which is more than 50 per cent higher than the full fiscal last year. In FY20, its revenue stood at Rs 500 crore.

The company, in which private equity firm Light House invested Rs 160 crore two years ago for a 24 per cent stake, has capacity to produce over 10 lakh mattresses annually, up from 7 lakh units earlier, with the Rs 50-crore plant in Indore last November, which is the largest mattress plant in the country producing 1,000 units a day.

Earlier this month, Duroflex and its online-only subsidiary Sleepyhead had raised USD 60 million from Norwest Venture Partners for an undisclosed equity share.

Chandy said the projected revenue will include those from its fully-owned subsidiary Sleephead, which is its digital-only sales brand launched four years ago, headed by his cousin Mathew Joseph.

Chandy further said the larger-than-expected revenue forecast is also aided by better sales from the Central and Northern markets, which are primarily served by the new Indore plant now.

Of the Rs 1,000-crore group topline, Sleepyhead, the direct to consumer brand targeted at younger generation, is expected to contribute Rs 180 crore this year, Joseph said.

On profitability side, Chandy said the group makes around 10 per cent gross margin, with Sleepyhead fetching a bit more.

Of total sales, as much as third comes online, led mostly by Sleepyhead, Joseph said, adding 10 per cent comes from exports, wherein the global furniture major Ikea is the biggest client chipping in with over 10 per cent of the export volume.

Chandy said they intend to double the export component of the revenue next year. On capex, Chandy said they have Rs 100-crore capacity addition plan over the next 6-9 months.

While the Indore expansion is underway as greenfield project, the new immediate capacities will come up as brownfield expansion at the Hosur plants where it has three plants and in Hyderabad. That apart it has an assembly centre in Mumbai.

The Hyderabad plant is the main plant now where mattresses are made while in the plant in Devas near Indore foams and other inputs are made. The 36,000-metric tonne per annum Devas plant also supplies to materials to furniture makers like Ikea.

The Alappuzha-based Chandy family, which owns 70 per cent in Duroflex, is also planning to take the company public over the next five years, the second generation Chandy said.

He said Duroflex, which operates under the labels of Duroflex and Sleepyhead, is the second largest mattress brand in the country with a tad less than 20 per cent market share and have over 170 million customers, after Sleepwell which has around 25 per cent of the 5-million units per annum branded mattress market market pie. Of the total market share 25 per cent comes from the South. At the third slot is Culron.

The company began operations in the early 1960s in Alappuzha and then moved the headquarters to Bengaluru.

Currently Duroflex has 24 experience centres with the recent additions in Kolkata, Gurugram, and Mumbai and will soon be launching nine more experience centres this week.

Duroflex uses German foaming technology and was the first to launch the first doctor-recommended orthopedic mattress under the brand name of Duropedic.

Source: economictimes.com– Oct 31, 2021

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