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INTERNATIONAL NEWS

New pact set to spur China-Japan commerce

Economic and trade cooperation between China and Japan is set to grow on the back of the Regional Comprehensive Economic Partnership agreement, which took effect in 10 of its 15 member economies on Saturday, experts said on Monday.

This, they said, will further strengthen regional economic expansion despite COVID-19.

China and Japan, which are the world's second- and third-largest economies, respectively, have forged bilateral free trade relations for the first time, following the RCEP, experts said.

They further said the breakthrough will help with the negotiations on the China-Japan-South Korea Free Trade Agreement.

Signed by 15 Asia-Pacific economies in November 2020, the RCEP agreement took effect on Saturday in 10 member economies, including Singapore, Thailand, China and Japan. They will be followed by South Korea on Feb 1.

The RCEP agreement will come into effect in the rest of the member economies 60 days after they finish verification procedures.

Around 25 percent of Japanese exports to China and 57 percent of Chinese exports to Japan have become tariff-free since Saturday. The two figures will eventually rise to 86 percent and 88 percent, respectively.

"China and Japan have already enjoyed strong economic and trade relations, thanks to their complementarity in trade, and the prospects are even brighter with the implementation of the RCEP agreement," said Bai Ming, deputy director of international market research at the Chinese Academy of International Trade and Economic Cooperation.

"Potentials from the geographic proximity of the two nations will be fully unleashed to tighten economic ties and benefit enterprises and people."

During the first half of 2021, the value of China-Japan trade surged by about 24 percent year-on-year to surpass $181 billion. China exported more than $80 billion worth of goods to Japan during the period, up nearly 19 percent. Its imports from Japan grew by nearly 28 percent to around $101 billion, according to China's Ministry of Commerce.

Significant tariff reduction and elimination have been scheduled in most of the two nations' major trading sectors.

That will result in a win-win situation, said Zhang Jifeng, vice-chairman of the Chinese Association for Japanese Economic Studies.

More products traded between China and Japan will become eligible for zero tariffs over time. Combined with the RCEP's accumulative rules of origin, which allow a product to enjoy tariff reduction or abolishment as long as it adds at least 40 percent of its value within the RCEP region, trade between the two nations is expected to expand, Zhang said in a note.

Producers of major Chinese export items to Japan like machinery, electronic equipment, textiles and clothing products will benefit from lower or zero tariffs.

Japanese producers of electrical and electronic products, machinery, automobile components and some agricultural and food products like sake will also enjoy significant tariff concessions when they export their products to China.

Hengyang, Hunan province-based Deyang Shoes Co Ltd said its annual exports are worth $8.1 million, and thanks to the RCEP, it could save $920,000 on tariffs each year. Deyang Shoes imports raw materials from South Korea, Vietnam, Thailand and Indonesia to produce and export finished shoe products to Japan, South Korea and some other countries.

Zhang predicted trade in services and investment cooperation between China and Japan will also expand rapidly, thanks to the expanded market entry.

Source: chinadaily.com.cn– Jan 04, 2022

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China raises import quota for Australian wool in 2022 by 5%

China has raised the import quota for Australian wool in 2022 by 5 per cent to 40,203 tonnes compared to 38,288 tonnes in 2021 in line with the terms of a bilateral free trade agreement signed in 2015, according to a joint statement by its commerce ministry and the general administration of customs. Ties between the two sides have worsened in recent times.

The move is being seen by many as a step to refute Australia's claims that China is engaging in 'economic coercion' and is waging a trade war with Australia. Canberra has accused China over using 'economic coercion' to stop its goods from entering the country, and even pushing for a World Trade Organisation probe into China's anti-dumping tariffs on Australian wines, a leading government-controlled Chinese newspaper reported.

While Australian wool accounted for at least 80 per cent of China's wool imports, Chinese companies previously sorted to diversify their sources of supplies to secure the supply chain.

Source: fibre2fashion.com– Jan 03, 2022

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Turkey's textile industry enters New Year with higher energy prices

The Turkish textile and apparel industry will have to pay higher prices for electricity and natural gas in the New Year. This too at a time when Western countries, especially those in Europe, are actively considering sourcing more of their textile and apparel from Turkey under their near-shoring strategy, and the country's inflation is at a 19-year high.

Citing the increase in global energy prices, the Energy Market Regulatory Authority of Turkey has raised power consumption charges by over 100 per cent for high-demand commercial users.

Separately, BOTAS Petroleum Pipeline Corporation (BOTAS), the state-owned crude oil and natural gas pipelines and trading company in Turkey, has raised natural gas prices by 50 per cent in January. However, for electricity-generating industrial use, the price increase is 15 per cent.

Meanwhile, the annual consumer inflation rate in Turkey has shot up to a 19-year high of 36.08 per cent in December, a sharp rise compared to 21.31 per cent in November. According to economists, the high rate of inflation is due to the decrease in value of lira, mainly owing to the policy of President Recep Tayyip Erdogan to keep interest rates low.

Addressing an event in Istanbul last week, Erdogan urged citizens to keep all their savings in lira. He also advised people to deposit their gold savings with the country's banks.

Source: fibre2fashion.com– Jan 04, 2022

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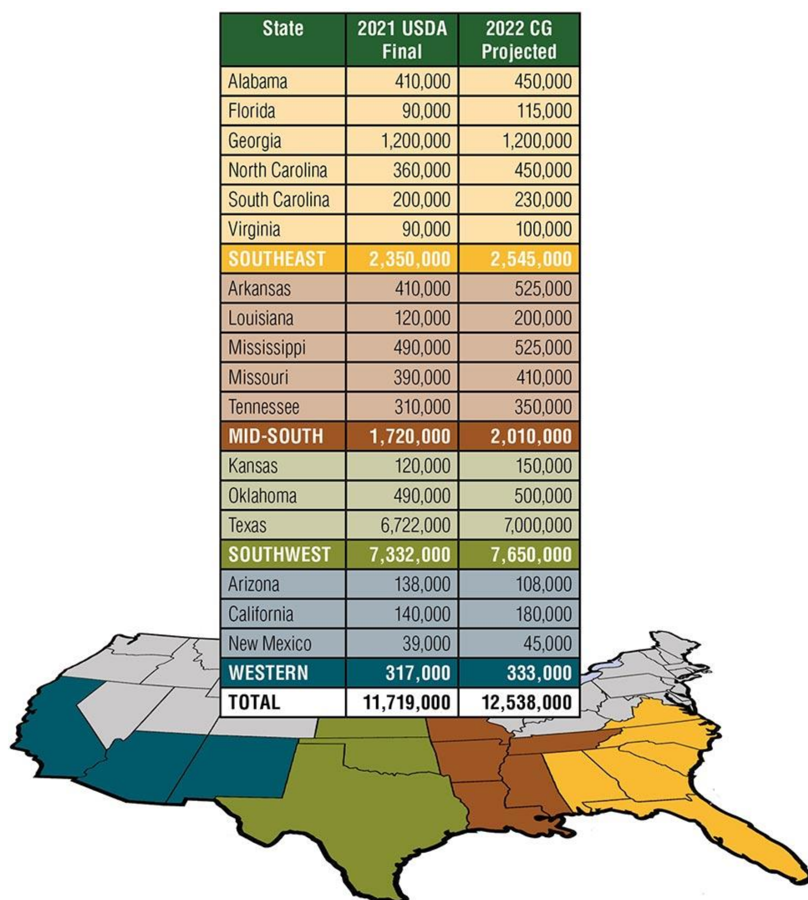
More Cotton Coming in 2022. But It's Complicated.

How do you follow a year like 2021?

Record prices, surprising yields, and (mostly) favorable weather combined to give us a year like we haven't seen in a good while. And although all signs point to more cotton acres across the U.S. in 2022, there are still some factors and unanswered questions that could impact the final total.



State	2021 USDA Final	2022 CG Projected
Alabama	410,000	450,000
Florida	90,000	115,000
Georgia	1,200,000	1,200,000
North Carolina	360,000	450,000
South Carolina	200,000	230,000
Virginia	90,000	100,000
SOUTHEAST	2,350,000	2,545,000
Arkansas	410,000	525,000
Louisiana	120,000	200,000
Mississippi	490,000	525,000
Missouri	390,000	410,000
Tennessee	310,000	350,000
MID-SOUTH	1,720,000	2,010,000
Kansas	120,000	150,000
Oklahoma	490,000	500,000
Texas	6,722,000	7,000,000
SOUTHWEST	7,332,000	7,650,000
Arizona	138,000	108,000
California	140,000	180,000
New Mexico	39,000	45,000
WESTERN	317,000	333,000
TOTAL	11,719,000	12,538,000

That said, based on a survey of our readers and other industry sources in early December, Cotton Grower magazine predicts that U.S. growers appear set to plant at least 12,538,000 total cotton acres – both upland and ELS – in 2022. That's roughly a 7% increase over USDA's final planted acre numbers for 2021.

We think it's a good place to start, but also recognize that there are still multiple factors in play that could push acres another 5% to 10% higher…or not.

Comments we received from the survey indicated current market price, strong demand, and high yielding varieties as positive keys for acreage growth. On the flip side, higher anticipated input costs and product shortages, concern over potential changes to herbicide labels, shipping and supply chain issues, early indications of drought in the Southwest, and continuing water issues in the West are dampening enthusiasm and raising "what ifs" in the minds of some growers.

As an Extension cotton marketing specialist told us, “I can give you a scenario where acres could be up 20%. I can also see a scenario where they may be down 20% in certain areas.”

At press time, the positives more than offset the potential negatives. Here’s hoping our prediction sets a solid floor for a strong season in 2022.

Let’s look at what respondents told us on a regional basis.

Southeast

Overall, sources in Alabama, Florida, Georgia, the Carolinas, and Virginia indicated that they’ll plant 2,545,000 acres of cotton in 2022 – an 8.3% increase over 2021. Acreage in Georgia appears to hold steady at 1.2 million acres, while all other states show increases ranging from 10% to 27%.

“Many growers are booking cotton now for next year,” reported Guy Collins, NC State Extension Cotton Specialist. “Given the fertilizer costs of corn and our predominately dryland production systems, I’d expect cotton acreage to increase 20-to-30% in 2022. As always, a lot can change between now and planting time.”

“Fertilizer prices are too high for corn to pencil out, so that leaves our growers two options – cotton or peanuts,” said Georgia Extension Cotton Specialist Camp Hand. “Growers need to stick to their rotations for peanut diseases, so that leaves cotton. All that said, our cotton acres were high this year and we might go up a little bit, but I imagine we will stay fairly steady.”

“Alternatives are not many,” said Steve Brown, Auburn Extension Cotton Specialist, “so acreage will probably hold. Still, there are places in Alabama that have made excellent crops and are likely to expand.”

Mid-South

Welcome to the region showing the highest potential for acreage growth. In 2021, USDA said 1.7 million acres of cotton were grown in Arkansas, Louisiana, Mississippi, Tennessee, and the Missouri Bootheel. Survey results show 2.01 million acres for 2022 – a healthy 16.8% regional increase that ranges from 5% growth in Missouri up to a whopping 66% increase for Louisiana.

"As an early prediction, I think we'll be back near our 2020 numbers," said Cotton Specialist Bill Robertson in Arkansas. "But I'm concerned with rising costs and the availability of almost everything. It could be a tough year to jump into cotton if this is a new crop or if growers have been out of cotton for a while. We know how to farm in a more predictable environment. This upcoming year will not be business as usual."

I think there will be a slight increase from 2021," indicated Brian Pieralisi, Mississippi Extension Cotton Specialist, "most likely close to our intended acres for 2021 which were cut due to excessive rainfall and prevented planting."

LSU's Matt Foster is the most optimistic. "Cotton acreage in Louisiana could potentially increase by 50-to-75%," he noted. "I've spoken to several growers that are doubling their acres and have bought new cotton pickers."

Southwest

Steady and manageable growth is predicted for Kansas, Oklahoma, and Texas acres. Combined, they're anticipating 7,650,000 acres in the region – up 4.3% overall from 2021.

"At this point in time, based on my interaction with individual growers and representatives from regional commodity groups, it appears that anticipated planted acreage in Texas may be similar to 2021," said Ben McKnight, Texas Extension Cotton Specialist. "There was a significant increase of 200,000 acres over early projections last year, and I feel like we may be in a similar situation this year. Growers are still in the planning stages, especially with anticipated input shortages and cost increases. "

"While the current price is encouraging, I don't predict a huge increase in acres next year," added Seth Byrd, Oklahoma State Cotton Specialist. "I think we could see a bigger increase if prices of other commodities are moderate. However, only certain commodities really compete with cotton acreage in Oklahoma.

A drop in acreage could occur if the wheat crop is good, prices are strong, and producers elect to take that crop to harvest. Another factor is rotation, and many producers will stick to a strict schedule to maintain their rotation patterns, which tends to moderate huge jumps in acreage for those in these kinds of operations."

Western

This is the region with the most questions for 2022 – and they all start and end with water.

Respondents indicated that California and New Mexico could see acreage increases ranging from 15-to-29%. But Arizona appears to be headed for an acreage decline due to ongoing water issues. That leaves a regional estimate of 333,000 acres of both upland and ELS cotton – a 5% increase over 2021.

"With the current water situation in central Arizona related to cutbacks in Central Arizona Project (CAP) water, I would estimate the cotton acreage across the state will be down to between 100,000 and 110,000 for 2022," said Randy Norton, Extension Cotton Specialist in Arizona.

Snapshot in Time

Like all surveys, the Cotton Grower survey reflects a snapshot of the market situation and prevailing attitudes in late November and early December as 2021 harvest was wrapping up. Many thanks to the growers, ginners, consultants, specialists, and other industry sources for their input.

We look forward to comparing our results with the projections coming from the National Cotton Council in February and from USDA-NASS in March.

Source: cottongrower.com– Jan 02, 2022

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China to reduce tax and fee this year to support SMEs

China will further reduce tax and fee in 2022 to support small and medium sized enterprises (SMEs), Wang Jun, head of the State Taxation Administration, the country's taxation authority, has said. In 2021, China has deferred an estimated 200 billion yuan of tax payments for MSMEs in the manufacturing sector to boost the country's industrial economy.

The new tax and fee reductions given in 2021 are expected to be more than 1 trillion yuan (about $157 billion), Jun said at an annual meeting. In the past six years from 2016 to 2021, the total reduction in tax and fee was over 8.6 trillion yuan.

This year, the Chinese government will also take further steps to tighten regulation on taxes, and will impose severe punishments on all tax evasion, the meeting was told, according to Chinese media reports.

Source: fibre2fashion.com– Jan 04, 2022

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China's foreign trade to be $6 trn in 2021, weak global recovery issue

China's foreign trade is expected to reach $6 trillion for 2021, a rise of $1.3 trillion compared with 2020, according to vice minister of commerce Ren Hongbin, who recently cautioned that some ‘unprecedented’ difficulties in stabilising foreign trade in 2022 linger due to a weak global recovery, chip and container shortages, and rising raw material costs.

Other challenges include the rising currency exchange rate of the Chinese yuan, which may also put additional burden on enterprises.

While the foreign trade is forecast to come to a new level this year, bucking the global trend, the commerce ministry said there are still unprecedented challenges ahead for stabilising foreign trade growth in 2022.

From January to November 2021, China's imports and exports reached 35.39 trillion yuan ($5.55 trillion), a year-on-year increase of 22 per cent, data from the general administration of customs showed.

Phased factors such as price increases that support the growth of foreign trade this year are difficult to sustain next year, especially after superimposing on the ultra-high base number in 2021, according to a report in government-controlled newspaper.

Given all these factors, it will be unprecedentedly difficult to do a good job in stabilising foreign trade next year, the vice minister said.

Source: fibre2fashion.com– Jan 03, 2022

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Vietnamese economy slows to 2.58% growth in 2021

Vietnam's economy slowed to 2.58 per cent growth in 2021 from 2.91 per cent in 2020, according to the General Statistics Office. The economy expanded by 5.22 per cent in the last quarter due to the government decision to shift from 'Zero COVID-19' policy to safe and flexible adaptation to the pandemic that led to more stability in the economy.

The economy grew by 4.72 per cent and 6.73 per cent in the January-March and April-June periods before shrinking by 6.02 per cent in the third quarter.

Business activity has been bustling again in the past few months and consumer confidence is gradually returning despite many obstacles as workers have not returned to factories, a Vietnamese newspaper reported.

In particular, the purchasing managers' index, which reflects the confidence level of manufacturers, rose to 52.2 in November. This shows that business conditions have improved for the second consecutive month after a period of decline due to the fourth outbreak starting in April 2021.

Source: fibre2fashion.com– Jan 04, 2022

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Pakistan's textile & apparel exports rise 28.41% in July-Nov '21

The value of textile and garment exports from Pakistan increased by 28.41 per cent year-on-year in dollar terms in the first five months of fiscal 2021-22. During the period, Pakistan earned $7.758 billion from textile and apparel exports, compared to exports of $6.041 billion in July-November 2020, according to data from Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose by a sharp 36.62 per cent year-on-year to $2.059 billion during the five-month period, while exports of non-knit readymade garments were up 23.38 per cent to $1.48 billion.

Among textiles, cotton yarn exports increased by 65.45 per cent to $503.897 million in July-November 2021, as against exports of $304.553 million made during the corresponding period of 2020. Exports of cotton fabric also rose by 22.30 per cent and were valued at $945.561 million during the period under review.

Bedwear exports jumped by 23.55 per cent to $1.406 billion during the five-month period, the data showed.

On the expenditure side, synthetic fibre imports shot up by 53.64 per cent year-on-year to $361.084 million, while imports of synthetic and artificial silk yarn rose 34.80 per cent to $344.121 million during July-November this year.

Meanwhile, the value of textile machinery imports by Pakistan increased significantly by 97.93 per cent year-on-year to $361.737 million during the five-month period.

In fiscal 2020-21 ending June 30, textile and garment exports from Pakistan increased by 22.94 per cent to $15.400 billion over $12.526 billion exports in the previous fiscal. In fiscal 2018-19, the value was $13.327 billion.

Source: fibre2fashion.com– Jan 04, 2022

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Bangladesh: Owners urge government help to settle liabilities of ailing non-textile factories

The government should extend its support to ailing non-textile factories by settling their liabilities, owners of such industries urged on Sunday.

Due to ill conditions, many of these companies are in legal battles with banks over the loan default issue which as a result holds back these businesses from launching new ventures, they further said.

The call came at the first meeting of the FBCCI Standing Committee on Rehabilitation of the Sick Industry, organised by the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) at its office in the city's Motijheel, according to a press release of the apex trade body.

The government, back in 2009, formed a high-powered task force to rehabilitate the ailing industries and settle liabilities by categorising them into three segments - garments, textiles and non-textiles.

As per the decision of the task force, the government had issued circulars settling the liabilities of some 279 garment and 100 textile factories but no non-textile businesses got any such facilities, the press release noted.

Despite the ill condition of these industries, the corresponding banks have filed cases in the Artha Rin Adalat (money loan court) showing those businesses as defaulters.

As a result, these businesses have been unable to take on new business ventures, said Sadeque U Chowdhury, chairman of the FBCCI Standing Committee.

There were several meetings with the Bangladesh Bank and the Ministry of Finance for issuance of a circular for non-textile factories, but no solution came out.

Mr Chowdhury told the meeting that a 'Munsef Committee' was formed in 1998 to rehabilitate the sick industries while the then Awami League government raised a Tk 1.0 billion fund to rehabilitate sick industries.

Meanwhile, FBCCI Senior Vice President Mostofa Azad Chowdhury Babu, who addressed the meeting as the chief guest, said a separate desk would be set up at the FBCCI to assist and rehabilitate the sick industries.

At the same time, a letter will be sent to every chamber and association in order to make a list of sick factories, he said.

Once the list is prepared, the FBCCI will take steps to rehabilitate the newly ailing factories through discussions with the concerned ministries and the central bank, he added.

FBCCI Secretary General Mohammad Mahfuzul Hoque, and director-in-charge of the Standing Committee Tahmin Ahmed, among others, spoke at the programme.

Source: thefinancialexpress.com.bd– Jan 03, 2022

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NATIONAL NEWS

Historic and Highest Ever Merchandise Export Figures for December - Shri Piyush Goyal

As per the Preliminary Data for December 2021, India's merchandise export in December 2021 was USD 37.29 billion, the highest ever monthly achievement, which shows an increase of 37.0% over USD 27.22 billion in December 2020 and an increase of 37.55% over USD 27.11 billion in December 2019.

Shri Piyush Goyal, Union Minister for Commerce and Industry, Textiles, Consumer Affairs, Food & Public Distribution called it a historic achievement and attributed it to the leadership of Prime Minister Shri Narendra Modi. He also congratulated all the EPCs, exporters and Indian Embassy officials all across the globe for contributing to this historic achievement.

India's merchandise export in April-December 2021 was USD 299.74 billion, an increase of 48.85% over USD 201.37 billion in April-December 2020 and an increase of 25.80% over USD 238.27 billion in April-December 2019.

India's merchandise import in December 2021 was USD 59.27 billion, an increase of 38.06% over USD 42.93 billion in December 2020 and an increase of 49.7% over USD 39.59 billion in December 2019.

India's merchandise import in April-December 2021 was USD 443.71 billion, an increase of 69.27% over USD 262.13 billion in April-December 2020 and an increase of 21.84% over USD 364.18 billion in April-December 2019.

The trade deficit in December 2021 was USD 21.99 billion, while it was 143.97 billion USD during April-December 2021.

Click here for more details

Source: pib.gov.in– Jan 03, 2022

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Exports surge 37 per cent to record $37.29 bn in Dec: Govt data

The country's exports in December 2021 surged 37 per cent on an annual basis to USD 37.29 billion, the highest-ever monthly figure, on the back of healthy performance by sectors like engineering, textiles and chemicals, even as the trade deficit widened to USD 21.99 billion.

Imports in December too rose by 38 per cent to USD 59.27 billion on account of an increase in oil imports, which soared 65.17 per cent to USD 15.9 billion, government data showed on Monday.

Gold imports expanded by 4.5 per cent to USD 4.69 billion.

Exports in December 2020 stood at USD 27.22 billion, while imports aggregated to USD 42.93 billion. Trade deficit was at USD 15.72 billion.

Cumulatively, during April-December 2021-22 exports rose by 48.85 per cent to USD 299.74 billion.

Imports during the period increased by 69.27 per cent to USD 443.71 billion, leaving a trade deficit of USD 143.97 billion.

In December 2021, exports of engineering goods grew by 37.27 per cent to USD 9.7 billion, followed by petroleum products (140 per cent to USD 5.6 billion), gems and jewellery (15.8 per cent to USD 2.98 billion), chemicals (26 per cent to USD 2.64 billion) and ready made garments of all textiles (22 per cent to USD 1.46 billion).

Addressing a press conference, Commerce Minister Piyush Goyal said India's merchandise exports will cross USD 400 billion this fiscal.

"With USD 300 billion in the first nine months of 2021-22 we are on track to achieve our target...This growth is satisfying and we must aspire for more," Goyal said.

He added that the third wave of COVID-19 is impacting developed economies like the US, Europe and the Middle East, and problems related to shipping lines can be expected.

“We don’t immediately see any supply disruptions or in the supply chains because by and large the world has seen that the effects of this wave are relatively less harmful and the western world has not restricted any movements as yet.

“We’ve also not seen instances of lockdowns being announced in any major country,” Goyal said, adding that the only problem could be temporary in the form of some shipping staff getting infected with COVID-19, causing short-term disruptions.

“Most cases are asymptomatic and recover very quickly. Hopefully supply lines and supply activity will continue in full steam,” he said.

Commenting on the numbers, Federation of Indian Export Organisations (FIEO) President A Sakthivel said looking at the current trend, India will achieve the USD 400 billion merchandise exports target for the fiscal.

Goyal also said the country is well on track to go up to USD 230 billion or upwards in services exports this fiscal, which will also be an all-time high.

“We have seen a USD 179 billion services exports in first nine months,” he said.

He also said exports from Uttar Pradesh are expected at Rs 2 lakh crore this fiscal, up 60 per cent from Rs 1.23 lakh crore last year.

Source: financialexpress.com– Jan 03, 2022

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Budget for 2022-23: Centre mulls sops to set up shipping lines

Given the government's target to raise merchandise exports to $1 trillion by FY28, this shipping bill of exporters is only going to surge.

As exporters grapple with a global container shortage and exorbitant freight costs, the government is exploring a proposal to extend tax and other incentives to draw large players to set up shipping lines in India, official sources told FE.

The incentives may be announced as early as in the upcoming Budget for 2022-23, subject to the finance ministry's concurrence. The ministries of commerce and shipping are learnt to be deliberating on various options; some officials are studying the attractive Ireland model of taxation for shipping firms. Once a proposal is ready, the approval of the finance ministry will be sought.

Shipping costs of Indian exporters to most destinations have more than doubled in the past one-and-a-half years in the wake of the Covid outbreak, mirroring a global trend.

Given that state-run Shipping Corporation of India (SCI) caters for less than 5% of the roughly $100-billion domestic market, it's not in a position to ensure orderly evolution of the shipping cost curve. As such, the government has now put the SCI on the block for sale.

Another source said the government could extend the validity of the Transport and Marketing Assistance (TMA) scheme, meant primarily for farm exporters, beyond March 2022. Under this scheme, which was reintroduced this fiscal with larger coverage and greater support, the Centre reimburses exporters a certain portion of freight charges. Rates of the assistance have been raised by 50% for exports by sea and 100% for those by air.

Apart from emerging risks from the new Covid strain, elevated shipping costs and non-availability of adequate containers remain the biggest challenge facing Indian exporters, as they seek to take advantage of a resurgence of industrial demand in advanced economies in recent months.

Many global shipping firms are registered in Ireland, as it adopts a liberal tax regime for them. For instance, shipping firms based out of Ireland pay tax based on the tonnage of the fleet as opposed to tax on profits recorded by the business. This, combined with the low, general corporation tax rate of about 12.5%, typically keeps their tax liability lower than in many other countries. Similarly, no capital gains tax is slapped there on the disposal of a ship. "Incentivising the setting up of shipping lines in India and even the manufacturing of containers would be a key step towards self-reliance in this area. China has invested hugely in container manufacturing and is now reaping the benefits, although it, too, faces elevated costs," a senior government official told FE.

Ensuring reasonable shipping costs remains crucial to realising India's lofty merchandise export target of $1 trillion by FY28. Exorbitant shipping costs hurt mainly small and medium exporters. The country shipped out goods worth $291 billion in FY21 after the pandemic hit supply chains. In the current fiscal, it is on course to meet the ambitious target of $400 billion, as demand for merchandise from key markets remains strong.

To be sure, shipping costs have gone through the roof across the globe and India isn't an outlier. In fact, the costs in China have surged at a much faster pace than in India, analysts have said. Chinese suppliers are luring large ships with higher freight charges, according to sources. However, given Beijing's massive covert subsidies, the competitiveness of its exporters remains intact. So, the Indian government, too, must find ways to cushion the blow to them, domestic exporters say.

In its submission before finance minister Nirmala Sitharaman in December, the Federation of Indian Export Organisations (FIEO) said exporters remitted around $65 billion for transportation in 2020, which will likely cross $100 billion in 2021, given the surge. Since the SCI is being disinvested, the government needs to encourage large entities to build an Indian shipping line of global repute, the FIEO submitted.

Given the government's target to raise merchandise exports to $1 trillion by FY28, this shipping bill of exporters is only going to surge. So, even if such a shipping line captures 20-25% of the domestic market, the country will save a lot of foreign exchange, the exporters' body has argued.

Source: financialexpress.com– Jan 03, 2022

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No extraordinary increase in trade with China, says Piyush Goyal

No extraordinary increase in trade with China, says Piyush GoyalCommerce and Industry Minister Piyush Goyal on Monday said there was no extraordinary increase in trade with China and that the trade deficit with the neighbouring country has come down to USD 44 billion in 2021 from USD 48 billion in 2014-15.

The minister also said that from 2003 and 2013-14, when the United Progressive Alliance (UPA) was in power, imports from China had increased 1,160 per cent. There was also a 24 times increase in trade deficit from USD 1.5 billion in 2004-05 to USD 36 billion in 20-13-14, he added.

Goyal's remarks come days after Congress spokesperson Gourav Vallabh criticised the government saying that while China was renaming places in Arunachal Pradesh and setting up villages in Indian territory, the government was still carrying on with 100-billion-dollar trade with China.

"It (trade deficit) almost remains steady… I can assure you that there is no extraordinary increase (in trade) with China," Goyal said.

He also noted that India's overall trade with Australia increased 102 per cent, South Africa 82 per cent, UAE 65 per cent and China only 44 per cent. About free trade agreements, Goyal said that India's FTA with the UAE is close to finalisation.

India is also concluding the interim agreement with Australia, which will cover "large areas of interest particularly our labour-oriented sectors like textiles, pharma, footwear, leather products and agricultural products," he said.

India is also planning to launch FTA negotiations with the UK later this month and put in place an interim agreement by March this year while talks with Canada are expected to be launched in the next 2-3 months, the minister said.

Source: financialexpress.com– Jan 03, 2022

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Deferral of GST hike: Textiles sector pins hopes on better options

The GST Council's last-minute deferment of a proposed rate hike for lower-end textile items from the existing 5 per cent to 12 per cent, has given a reprieve to the industry.

But units have their fingers crossed over what the final decision, expected by March this year, would be, as revenue generation and correction of inverted rates remain valid concerns for the government.

"The committee looking into rate rationalisation, which has been tasked to review the rates for textiles as well, will try to ensure minimum pain for MSMEs while balancing it with the government's need to generate revenue and correct the inverted duty structure. Various possibilities could be explored," an official tracking the matter told BusinessLine.

The industry has proposed a number of alternatives, pointed out Sanjay Jain, Chairman, ICC National Textiles Committee. One is imposition of a uniform GST of 8 per cent on all items. "Another option is to maintain status quo till the fitment committee announces new slabs and then move the 5 per cent slab to closest new slab," Jain said.

'Workable option'

Yet another proposal is to impose a 7 per cent GST on cotton garments, yarns and MMF fabric and a 12 per cent GST on MMF yarns and fibres. "This is a workable option as the value addition will take care of the inversion gap of 5 per cent in tax rates for MMF fabric. This will lead to a need for minimal or no refund. Otherwise, the whole chain will be free of inverted duty. Moreover, the government will get extra revenue," said Jain.

An 'inverted duty structure' is one where there is a higher duty on inputs than finished products. This results in a need for a refund of unutilised input tax credit for the industry which affects companies' cash flows and the government's revenues.

In the textiles sector, while MMF fibre and yarn attracted GST of 18 per cent and 12 per cent, respectively, a 5 per cent GST was applicable on all kinds of fabric. All types of garments had a GST levy of 12 per cent while garments below ₹1,000 attracted a lower 5 per cent.

According to sources, the inversion in the duty structure resulted in annual refund amount exceeding ₹4,000 crore.

“The amount is expected to grow, considering that in the first year (of GST implementation), refund of accumulated ITC was not allowed,” the source explained.

To correct the inverted duty structure in the textiles industry, the GST Council, in its meeting on September 17, 2021, proposed to raise the rates for textiles of any value to 12 per cent, effective from January 1, 2022. It also decided to lower the GST on MMF fibre to 12 per cent.

Protests from MSMEs

There was, however, a slew of protests from the MSME sector and various States, including Gujarat, Tamil Nadu, West Bengal and Rajasthan, against the rate hike for garments.

“Higher GST was detrimental to consumers buying lower-end products. Majority of buying in India is below ₹1,000 for apparel. This could have resulted in lesser buying, thereby impacting traders and MSME manufacturers,” said Animesh Saxena, President, Federation of Indian Micro & Small and Medium Enterprises .

The GST Council, in its meeting on December 31, decided to defer the proposed rate hike and refer the matter to the rate rationalisation committee, which is expected to submit its report in February.

Source: thehindubusinessline.com– Jan 03, 2022

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Business resumption index remains high: Nomura

The Nomura India Business Resumption Index inched up to 120.3 for the week ending January 2 from an upwardly revised 120.2 during the prior week 119.8 previously.

This was largely due to a 10.4 percentage points (pp) weekly rise in the Apple driving index, while the Google workplace mobility index fell by 6 pp and the retail and recreation mobility index rose by 0.6 pp. The labour participation rate inched down marginally to 40.6 percent from 40.7 percent in the prior week, and power demand fell by 3.1 per cent week-on-week after a 2.5 per cent rise the prior week.

“India seems to be on the cusp of a third wave. New daily cases rose to 33,750 yesterday from around 6,500 a week ago. Maharashtra, Delhi and West Bengal are at the forefront, but case numbers in other States are also rising sharply, with around 1,700 confirmed Omicron cases so far.

The vaccination pace rose to around 6.5 million/day in December from 5.4 million/day in November, with around 44 per cent of the population fully vaccinated,” Nomura said.

Swift rebound

“States have announced more restrictions, but elevated mobility and a rising positivity rate suggest a further rise in new cases. While early signs point to a lower mortality rate, it bears close monitoring. The restrictions could derail the recovery in contact-intensive services in Q1, but global experience suggests a smaller impact than previous waves and a swift growth rebound once cases peak,” it added.

Source: thehindubusinessline.com– Jan 03, 2022

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Going retail

The Reserve Bank of India's latest Financial Stability Report (FSR) reinforces the message from its recent Trends and Progress of Banking study to paint a sanguine picture of bank financials. Far from being saddled with weakened financials after two waves of Covid, banks have expanded their aggregate profits by 31 per cent in the first half of FY22 helped by higher spreads and treasury gains. This, combined with active fund-raising, helped them to shore up their capital adequacy to 16.6 per cent, far above the regulatory minimum of 9 per cent.

Banks are not only sitting pretty now on ample capital cushion but their NPAs are also moderating. It is not surprising then that RBI's usual stress tests for macro risks such as slowing GDP, worsening inflation, and current account balance, suggested that banks today face limited vulnerability and would not be left with double-digit NPAs or poor capital buffers should such risks crop up. While this is good news for the government, which need not find funds for recapitalisation, the challenge now is to induce banks to step up industrial lending, which holds the key to capex revival and sustained economic growth.

On this score, some of the datasets presented by the FSR make for worrying reading. For one, much of banks' incremental lending is now flowing to individuals seeking personal loans rather than businesses seeking commercial credit. In FY21, retail loans accounted for as much 64 per cent of all incremental bank credit, while industrial credit shrank by 22 per cent.

Trade and agriculture managed a 21 per cent share each, but personal loans displacing all forms of business loans doesn't appear a healthy trend. Two, even within commercial credit, lending appears to favour PSUs (12.4 per cent growth) while private sector borrowers (5.8 per cent contraction), particularly lower rated ones, seem to be getting the short shrift. Three, disbursements to MSMEs, which had received a boost from the Centre's ECLG scheme seem to be flagging again, with credit growth at just 1.9 per cent in the September 2021 quarter.

While credit flowing to individuals instead of industry may hold out hope for a consumption-driven revival, it is not without its trouble spots. The FSR uses CIBIL TransUnion data to show that the proportion of sub-prime borrowers in consumer loans has edged up from 27.2 per cent in September 2020 to 29.9 per cent in September 2021. Retail loan delinquencies, while

not at alarming levels yet, are rising with PSU banks (5.03 per cent), NBFCs (3.77 per cent) and fintech players (4.56 per cent) reporting stress by September.

Both lenders and policymakers may need to exercise vigilance on this build-up of stress in retail loans, so that there is no repeat of the earlier experience with industrial loans. The report notes that in emerging market economies, NPAs typically peak 6-8 quarters after a severe recession, so it may be early days to call a victory on the strength of Indian banks.

Source: thehindubusinessline.com– Jan 03, 2022

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Opportunities for Textiles Sector in 2020 and Beyond

Enhancing product basket, creating new applications and value-addition will prove beneficial for the global textiles sector.

Today, albeit 6.30AM U.S. CST for me, it was such a relish to join for a discussion on the status of the textiles industry hosted by Coimbatore-based Indian Texpreneurs Federation (ITF).

As the cotton price is trending around US$1.10, obviously discussion centered around the price of raw materials. Having asked to talk about what is on the horizon for the sector, I placed my views on mid to long-term understanding of the textiles landscape.

In planning ahead for any sector, it is important to focus on "4S" which is the concept adopted by U.S. Department of Defense: 1) Sense; 2) Shape; 3) Shield and 4) Sustain (and Grow). This planning pyramid fits well for the textiles sector, as we plan on stocking raw materials and focus on growth.

Good planning on stocking raw materials is the key. Exploring different blend options will help with cost balancing as well as finding new applications. Indian textiles sector should look for product enhancement stated Mr. Dinakaran, noted textile industrialist and former Chairman of Coimbatore-based The Southern India Mills' Association (SIMA). He explained how China utilized new fibers such as Modal, etc., and offered new blends to the world market.

While sustainability is keenly looked at by the world markets, incremental developments such as the use of recycled materials will be a step in the right direction.

Countries like India, which once used to enjoy labor cost advantages must go for lean manufacturing and value-addition as the competitive advantage is eroding.

Although there is no crystal ball answer on what's on the horizon, I feel, one should look at the sector as a four-legged table and all the four legs should be balanced to put the table to use. These are: 1) Technology; 2) Cost; 3) Marketing and 4) Messaging.

Looking at 50 or so industrial leaders who participated in the 2-hour discussion coordinated by ITF, it is pleasing to report enthusiasm is high to take the industry forward with innovation 360 degrees in 2022 and beyond.

Source: www.tiehh.ttu– Dec 29, 2021

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GST on power: States could take an annual revenue hit of ₹57,395 cr

Industrial and commercial users may get benefit by input tax credit

The States will incur an annual revenue loss of close to ₹57,395 crore if the government imposes a GST of 5 per cent on electricity and fully subsumes state electricity duties (SEDs). The loss to the central government was calculated at around ₹2,318 crore.

According to sources, the findings are part of a report by NTPC. The Ministry of Power directed NTPC to conduct a detailed research on the pros and cons for power consumers, States and the Centre on charging GST on power and subsuming SEDs. It was prepared by Ernst & Young on behalf of NTPC. ‘

Subsuming SEDs

One of the sources said levying GST at 5 per cent with SED fully subsumed would lead to a revenue loss of ₹2,318 crore for the Centre after transfer of 41 per cent share to the States. For the states, the loss was calculated at ₹57,395.

“Accordingly the total loss would stand at ₹59,713 crore. Here the losses are higher as States would take a bigger hit of ₹ ₹51,853 crore on account of subsuming SEDs. The loss due to SEDs is similar even if GST is imposed at 12 per cent and 18 per cent,” the source explained.

The report suggested the best scenario would be imposing a GST of 5 per cent and applying a calibrated rate of SED. For domestic consumers, the SED will be fixed to ensure there is no change in power tariff. While for industrial and commercial users, their benefits are to be capped at ₹0.05 per unit, he added.

“The report’s final calculation was based on this criteria and it suggests that the Centre will incur a loss of around ₹2,130 crore, while States will lose ₹3,650 crore. Thereby the overall loss has been calculated at around ₹5,780 crore annually,” he explained.

The report was discussed in various meetings with the Power Ministry for possible approaches and the way forward. Besides, meetings were also held with the Central Electricity Authority (CEA) and the Power Finance Corporation (PFC) for collating the data.

‘Power price inflated’

On rationale behind implementing GST, another source said, “At present, state governments levy SED as per their respective laws, which is resulting in blockage of input tax credit (ITC) of GST on goods and services procured by power companies. As a result, electricity price gets inflated due to non-availability of ITC to industrial and commercial consumers resulting in higher tariff cost for the industry at large”.

Allowing ITC will reduce the power tariff cost, resulting in low cost of production of goods and services. Further, this will ultimately benefit the end consumers. This would also have a positive impact on rising inflation, the source added.

The report referenced power tariffs in FY19 for computing the impact on different consuming classes. Power generation companies would be able to avail an ITC of ₹0.12 per unit for coal, gas (₹0.11 per unit), hydro (₹0.06) and wind (₹0.09). Due to multiple sources of electricity generation, the report considered a weighted average of GST cost saved through ITC for coal, gas, hydro and wind power plants at ₹0.11 per unit.

For the power transmission segment, the report calculated that power transmission companies would be able to avail an ITC of ₹0.0045 per unit, while power distribution companies would be eligible for an ITC of ₹0.05 per unit. Accordingly, the report calculated that the weighted average ITC saving for the power companies across the three segments would be ₹0.16 per unit.

Source: thehindubusinessline.com– Jan 03, 2022

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MSMEs: Engines of growth for new India

In November 2021 the government announced the Special Credit Linked Capital Subsidy Scheme for the MSMEs (Micro Small and Medium Enterprises) in the services sector. The scheme has a provision of 25 per cent capital subsidy for procurement of service equipment through institutional credit to the SMEs for advancement of their technology.

In July 2020, by redefining the MSMEs, the Finance Minister addressed the 'fear' of MSMEs losing their benefits under various schemes if they expanded.

Accordingly, a firm is classified under MSME — Medium category, if its investment in plant and machinery or equipment does not exceed ₹50 crore and its turnover does not exceed ₹250 crore. This policy change certainly gave a 'comfort zone' for the MSMEs.

It is well established in literature that Indian MSMEs were discouraged from scaling up their operations mainly due to regulatory limits on their assets.

Also, MSMEs face legacy issues such as information asymmetry, non-registration of firms, inadequate and untimely credit, delayed receivables, technological obsolescence, negligible market linkages, absence of exit policy, etc.

As the MSMEs contribute around 30 per cent to India's GDP, employ about 11 crore people, constitute nearly 40 per cent of total exports, and more than half of them are located in rural India, the government is keen to rev up this sector to achieve inclusive growth thereby attaining self-reliance (Atmanirbhar Bharat).

An analysis of CMIE Prowess database reveals that the Indian MSMEs mainly rely on unsecured loans and take few long-term loans for capex. This is further corroborated by the research finding from a recent study (NIRDPR, 2021) that nine out of 10 MSMEs depend on informal sources (mostly unsecured loans) for their working capital and term loans.

Lack of sufficient asset cover (collateral) discourages them from taking secured loans at lower interest rate and hence they have to rely on unsecured loans at higher interest rates. This dents profitability and economic viability of their businesses.

After a gap of 14 years, the government revised the definition of MSMEs by factoring in inflation and depreciation of the Rupee vis-à-vis other currencies between 2006 and 2020. In January 2006 the USD/INR was quoted at ₹45 and it depreciated to nearly ₹71 in January 2020 (58 per cent). This made the MSMEs to operate at a low scale by creating subsidiaries/sister concerns/Export Oriented Units with a view to receiving incentives from the government.

According to the new definition, export revenue is deducted from total sales while estimating the turnover of MSMEs, which is a positive sign not only for the sector but also for exports. Since the old MSME definition had a regressive effect on the firms' exports, expansion plans and employment generation, the new policy is expected to act as a catalyst for development of 'new India'.

In order to reap intended benefits of the new policy, the government can focus on the following issues:

(i) **Ease of doing business:** MSMEs should have better access to efficient factors of production through industry-friendly labour reforms, proper land acquisition policy, free access to capital, vibrant entrepreneurship culture, modern technology, enabling infrastructure, and simplified tax policy.
(ii) **Export of services:** The world is moving towards a clean, green, and lean corporate regime to achieve the triple bottom line — Planet, People, and Profits. Since India has a comparative advantage in services sector, entrepreneurs of MSMEs may be re-oriented in this direction to enhance export of services by capitalising on the revised definition. However, balanced growth of agriculture, manufacturing, and services may be maintained by leveraging demographic dividend.

(iii) **Leveraging PLI scheme:** Recently, the government introduced Productivity Linked Incentive Scheme with a total outlay of ₹1.97 lakh crore to boost 13 industry sectors with a view to harnessing Make in India, thereby enhancing our manufacturing prowess and export potential. As part of this, the government announced three schemes for automotive industry wherein manufacturing of electric vehicles will be incentivised to reduce carbon footprint, import of fuel, and enhance competitiveness and growth.

(iv) **Promoting start-ups:** According to Nasscom, India has 66 unicorns till date and is still counting. With a market capitalisation of $18 billion, Byju's has become the largest and most valuable Edu-tech company in the world. Similarly other decacorns namely Paytm, and Flipkart have market

capitalisation of over $10 billion mainly due to burgeoning domestic market, massive funding opportunities, and evolving technology. As such, MSMEs with innovative ideas should be nurtured with right incentives and be freed from the bureaucratic maze.

(v) **Market linkages:** The Covid-19 crisis should be converted into an opportunity by going digital. There should be a virtual platform exhibiting crafts, handlooms and frugal innovations of MSMEs, to reach out to the broader national and international markets thereby enhancing their revenue. As most of the MSMEs don't have adequate market linkages and branding for their products/services, the government may promote (RURBAN) clusters thereby building synergy and sustainable value chains in the ecosystem.

(vi) **Emulating best practices:** Turkey has introduced 'TURQUALITY', a state sponsored scale up programme meant for SMEs to transform themselves into global players. Another such initiative is 'Growth Driver Programme' of Business Development Bank of Canada to provide multi-disciplinary support system in terms of enterprise growth and job creation in SMEs.

(vii) **Financial literacy and education:** MSMEs should be imparted with financial/digital education to make use of digital channels including TReDS platform for speedy realisation of their receivables. Also, MSMEs should be trained to utilise the services of SME stock exchange in order to mobilise risk capital for growth plans.

Policy support in the above areas will make MSMEs as engines of growth for 'new India'. After all, a resilient and healthy MSME sector is essential for achieving the goal of self-reliant India.

Source: thehindubusinessline.com– Jan 03, 2022

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Indian cotton prices vroom to record high, rule at premium to global rates

The spell of good fortune that saw Indian cotton growers celebrating a sparking Diwali continues into the New Year, too.

Prices skyrocketed to a record of over ₹71,000 a candy on Monday with farmers holding on to their produce as the quality of arrivals has been affected by heavy rains during September-November last year.

Domestic cotton prices are now ruling at a premium to global rates, particularly Intercontinental Exchange (ICE) cotton futures in New York. ICE New York Cotton March futures are currently quoting at 113.67 US cents a pound (₹68,500 a candy). On the Multi Commodity Exchange, cotton for January delivery was quoted at ₹34,700 a bale of 170 kg (₹74,502 a candy). Purchase by multinational companies from the domestic market is also cited as a reason, though not all stakeholders agree on the view.

"Quality cotton is quoted at ₹74,000 a candy. Arrivals are poor as farmers are holding back their produce," said K Selvaraju, Secretary-General, Southern India Mills Association (SIMA).

"In Rajkot, Gujarat, cotton is quoted at ₹71,000, while in places such as Nashik in Maharashtra, it is ruling at ₹72,000-73,000 a candy," said a veteran market analyst.

Wild price swings

Raw cotton (kapas) prices in Rajkot have topped ₹10,000 a quintal, while they are ruling in the range of ₹9,300-9,500 in Telangana, where the rates were above ₹9,000 in most of the market yards (mandis).

In Warangal, Telangana, traders quoted ₹9,310 a quintal following moderate arrivals on Monday. In Gujarat markets, raw cotton prices topped a record ₹2000 per 20-kg maund (₹10,000/quintal) on December 31. Jamnagar APMC registered cotton prices as high as ₹10,555 per quintal for quality cotton.

At Rajkot market, raw cotton was auctioned at ₹2,010/maund or ₹10,050 a quintal. Trader sources said prices swung widely at the auction touching as high as ₹2,500 per quintal. Average quality cotton was quoted at a lower ₹7,505 a quintal.

On Sunday in Bhiwapur (Nagpur) market yard registered a record high of ₹9,510 per quintal. The modal rate (price at which most trades took place) in all other major markets ruled above ₹9,000 per quintal in Maharashtra on Sunday. Today, the modal rate at Jamner market yard was ₹7,520 per quintal for the hybrid cotton during the first half of the trading.

In Karnataka market yards such as Raichur and Bijapur, kapas prices ruled at ₹10,200 and ₹10,300 a quintal, respectively.

Ruling at a premium

Cotton prices have begun to surge after a lull two weeks ago. Prices are 80-90 per cent higher than what farmers got last year. Cotton has been ruling at least 70 per cent higher than last year since the beginning of this season on October 1 in line with the global trend.

Cotton seed prices are also strong at ₹3,800-4,000 per quintal, lending support to the fibre prices.

Globally, cotton prices are 45 per cent higher than last year on firm demand and tight supplies arising out of shipping woes. Inventories at the Intercontinental Exchange (ICE) monitored in depots monitored by the US are down 99 per cent this year.

Indian cotton is now ruling higher than ICE New York Cotton March futures that are quoted at 113.67 US cents a pound (₹68,500 a candy). On the Multi Commodity Exchange, cotton for January delivery was quoted at ₹34,700 a bale of 170 kg (₹74,502 a candy).

“Indian prices are ruling at a premium of 5 cents since multinationals are hedging their risk in Europe futures. Going forward, the premium could rise to 20-25 cents,” said Anand Poppat, a Rajkot-based trade in raw cotton, yarn and cotton waste.

Weather impact

In India, prices have skyrocketed mainly since the quality of cotton has been affected by heavy rains during September-November. “The problem is that the RD value of the fibre has got affected,” said Poppat.

The RD value indicates how bright or dull the cotton fibre will appear. Cotton with better RD value commands a premium, while with lower value leads to yellowish colour of the fibre. “Spinning mills prefer the best grade,” the Rajkot-based trader said.

Spinning mills are currently holding 1-2 months stocks, he said. But SIMA’s Selvaraju said they had less than one month stock.

“Total arrivals till now are 120 lakh bales. Mills have bought 90 lakh bales, while 10 lakh bales have been exported. The rest is in the pipeline,” he said, ruling out the possibility of mills or others hoarding stocks.

Sellers reluctant

“The biggest reason for the surge in cotton prices is that the crop is smaller this year. On the other hand, demand from spinning mills is higher. We are not seeing any shift to manmade fibres from cotton and yarn makers seem to be absorbing the hike,” said Vinod Ahuja, a cotton grower from Punjab.

“Ginned cotton prices have increased to ₹75,000 per candy for 29.5 mm. Even at these prices, sellers are reluctant to sell due to higher costing,” said Ramanuj Das Boob, sourcing agent for domestic and multinationals in Raichur.

According to the Cotton Association of India, production of the natural fibre this year is estimated at 360.13 lakh bales against 353 lakh bales a year ago. It has projected domestic demand at a flat 335 lakh bales.

Crop estimates

The Committee on Cotton Production and Consumption, a body set up by the Centre comprising all stakeholders in the country, has projected the output at 362.18 lakh bales. It has projected the consumption at 338 lakh bales.

The trade is yet to come to the conclusion of actual crop estimates. Picking has been completed in Madhya Pradesh, Punjab, Haryana and Rajasthan, while it is in progress in other growing States.

Though the record prices have cheered up farmers, poor productivity on untimely rains, cultivation of unauthorised seeds and pink bollworm attack in Telangana and parts of Maharashtra have lowered their hopes.

Market players see cotton prices rising further, even as high as ₹80,000 a candy, while traders in Nagpur and Vidarbha regions expect prices to top ₹10,000 per quintal over the next few days.

Globally, prices have gained also since global production is projected to be lower this season (October 2021-September 2022) by 266,000 bales mainly in view of Pakistan's output dropping by 133 lakh bales, the US Department of Agriculture has said. In addition, global ending stocks are estimated to be 160 lakh bales lower.

Source: thehindubusinessline.com– Jan 03, 2022

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Manufacturing activity remains robust in December on new orders

Manufacturing activity in the country remained robust in December on the back of new orders despite moderating from the 10-month high outcome in November, a survey showed on Monday.

At 55.5 in December, the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) pointed to a strong improvement in overall operating conditions. This was despite the headline figure slipping from November's 10-month high of 57.6.

The latest quarterly reading was at 56.3, its highest since the final quarter of fiscal year 2020-21, the survey showed. The 50-point mark separates expansion from contraction. The survey is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers.

Amid reports of strong demand conditions, fruitful marketing and new client wins, manufacturers observed a further increase in new orders during December.

The upturn was sharp, despite being the slowest since September. Similarly, production rose at a sharp pace that was nevertheless the weakest in three months, the survey results showed. International demand for Indian goods continued to improve in December. New export orders rose for the sixth month in succession, albeit only slightly.

Source: timesofindia.com– Jan 04, 2022

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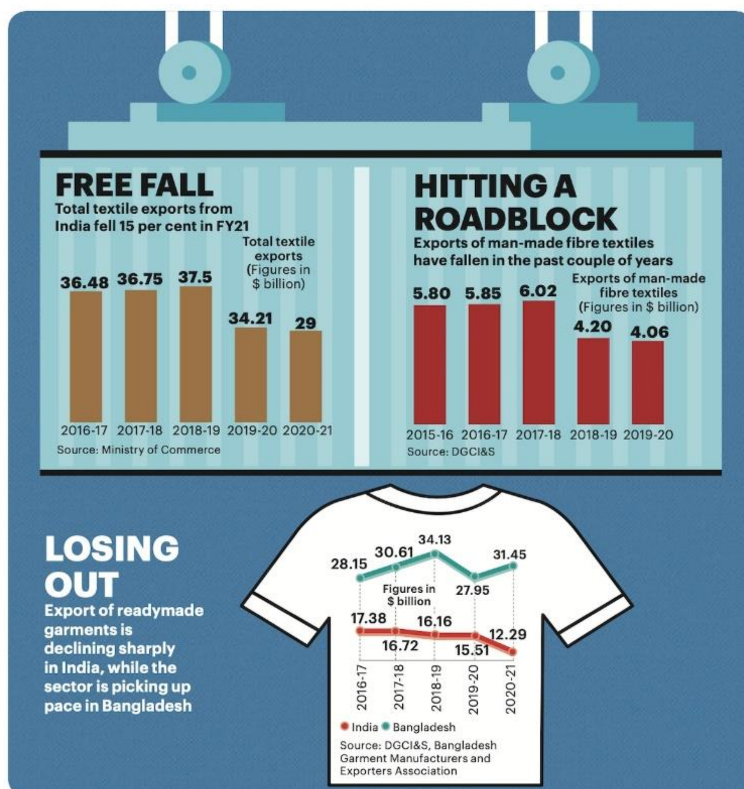
Here's what the Indian Textile Industry Wants

If there is one thing that sums up the woes of the Indian textile sector, it's the buttons. And also thread.

Apparel manufacturers—globally and in India— import buttons from China and Hong Kong, where the more fashionable wooden or engraved ones are made. India mainly makes plastic and nylon buttons. The industrial-grade thread they use comes from one factory that makes it in India—that of Madura Coats in Chennai.

Ravi Kishore, former director of Apparel Export Promotion Council, says this is symbolic of India's scattered and fragmented textile supply chain, which increases shipping costs, which in turn adds to manufacturing lead times. All these result in the industry struggling to compete with Bangladesh and Vietnam.



An Indian manufacturer takes 90-120 days to ship an order of 20,000-30,000 pieces, say industry experts. In Bangladesh and Vietnam, where the supply chain is more clustered, it takes 14-21 days. For example, Bangladesh's Chaiti Group, which counts H&M among its clients, has around 5,000 machines under one roof, compared to about 300-500 in factories in Delhi-NCR, Punjab or Tirupur.

No wonder Vietnam and Bangladesh trail only China in textile exports, while India is fifth, as per the World Trade Organization's latest statistics review. Since 2016-17, India's exports have fallen 20 per cent to $29 billion in 2020-21, as per the Ministry of Commerce.

The domestic market has shrunk 30 per cent to $75 billion in 2020-21 in the past year, as per Wazir Advisors, which estimates that the market will grow to $190 billion by 2025-26. Growth is vital as the textile sector contributes around 2-3 per cent to India's GDP, 7 per cent to industrial output and 12 per cent to export earnings, besides employing around 45 million people.

To bolster its growth, the government announced a Rs 10,683-crore production-linked incentive (PLI) scheme in September, aimed at increasing the production of man-made fibres such as polyester, and technical textiles used in making products such as sportswear, fishing nets and surgical disposables. Manufacturers can choose to invest either at least Rs 100 crore or at least Rs 300 crore, and generate a turnover that is at least double their investment.

But manufacturers are not convinced that it will be very beneficial. For two reasons. First, the scheme covers only man-made and technical textiles, whereas apparel constitutes about 73 per cent of the total market. Even some key man-made textiles are not covered. Second, the scheme's financial requirements are prohibitive, as the CEO of Garware Technical Fibres, one of India's biggest technical textiles manufacturers, points out.

"Some of the targets are not suitable for the technical textile sector," says Shujaul Rehman. "Minimum Rs 100-crore investments, 25-60 per cent value addition—these are not easy targets. Unless we get into new segments or start getting significant market share, such investments and turnovers are not possible." Garware's turnover was Rs 1,051.80 crore in FY21.

The government's second move, announced in October, looks more promising. The plan is to build seven mega integrated textile parks across India. Each will house modern industrial infrastructure and will bring various parts of the value chain in one location, reducing manufacturing time and logistics costs.

But industry insiders are sceptical. The last time the government built such parks, they went from implementation to disaster in 12 years. They say that even if these parks, and the PLI scheme, go as per plan, they would do nothing to solve the two biggest roadblocks the industry faces— labour issues and absence of trade agreements with Europe and the US.

Park the Thought

In 2005, India launched the Scheme for Integrated Textile Parks (SITP) to boost the textile sector. In 2017, a government-commissioned report by Wazir Advisors deemed these parks a spectacular failure as manufacturers saw no reason to shift to these parks.

“These parks were situated outside the cities and towns, and getting the workforce there posed a formidable challenge. In addition, internationally such parks are spread over 150 acres and more. In India, only five sanctioned and approved parks are of this size. A majority of them are less than 75 acres,” says Kishore.

The government report recommended setting up mega integrated textile parks to close these loopholes. Four years later, the plan to build seven such parks was announced.

“So far, the decision about the locations has not been taken, but 10-12 states have shown interest,” says Upendra Prasad Singh, Secretary, Ministry of Textiles. “The prerequisite this time is to identify a minimum of 1,000 acres of land. Several other factors would be considered such as the availability of raw material, power and adequate water, and labour laws and industrial policies of states.” He declines to share the timeline to set up a functioning park.

Most manufacturers say that this time around, proper implementation of these parks is key. “Four things are required for the success of textile parks—man, machine, raw material and marketing,” says Ved Prakash Yadav, President, Operations, Dwarikadhish Spinners. He says lack of proper marketing and skilled manpower were key reasons the earlier parks failed. Besides addressing these factors, he says the new parks should be in states such as Punjab or Maharashtra where raw materials are easily available. “Also, the power cost should be uniform across states,” he adds.

But the new parks don't address the constant labour issues plaguing manufacturers. The key to make the textile sector less labour intensive is automation. But this would mean job losses and that's why labour unions have for long opposed major technological upgrades, say manufacturers. China, on the other hand, has a hire-and-fire policy, with wages tied to a labourer's output. Indian manufacturers say that labour laws need some reforms to strike a fine balance. Neither the plan for integrated textile parks nor the PLI scheme addresses that.

Code Malfunction

Recall that the PLI scheme is for technical and man-made textiles only. Here's why: India primarily focusses on cotton textiles, but man-made and technical textiles account for about two-thirds of global trade, textile minister Piyush Goyal said at a recent briefing. "The PLI scheme will make domestic companies global champions."

However, manufacturers point out that many products made using these textiles— such as sportswear, knitted shirts and woven tops—are not covered in the HSN codes in the scheme. An HSN (Harmonized System of Nomenclature) is a globally accepted six-digit code that classifies over 5,000 products. "Most of the codes that we are in are not part of the scheme, so we cannot participate. I don't think we are going to get any benefit," says Rehman of Garware.

In fact, the scheme doesn't even look likely to boost the exports of technical textiles. "The government has taken 40 HSN codes where the export is less than 5 per cent and the association has already submitted their (feedback) note on this to the government," says S.N. Modani, MD and CEO, Sangam Group.

Singh says the government is registering the suggestions but points out that the PLI scheme isn't meant to be democratic. But that excludes a lot of apparel manufacturers, including MSMEs like Meenu Creation.

"The PLI is not directly going to benefit the MSMEs and particularly the garment apparel export companies," says Anil Peshawari, MD, Meenu Creation. "The benefits of these schemes are based on the capital invested and the minimum investment is more than Rs 100 crore. The apparel industry doesn't require such huge investments in plants and machinery. So, we are not going to be participants under the PLI scheme," he says. A minimum investment level of around Rs 25 crore could have swayed MSMEs, he adds. To be successful, the PLI scheme should be expanded to include fabrics and garments made of natural products, suggested a recent report by industry body CII and global management consulting firm Kearney.

Source: businesstoday.in– Jan 04, 2022

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Waive import duty on cotton: Textile entrepreneurs to Centre

Textile entrepreneurs are seeking waiver of import duty on cotton to tide over the rise in yarn price that has put the industry under stress over the last one year.

Prabhu Dhamodharan, convenor of Indian Texpreneurs Federation (ITF) that has over 450 textile entrepreneurs as members, said the price of raw cotton increased by 67% in the last 12 months. "The Union government should remove the import duty on cotton to bring down cotton prices," he said.

Ideally, the cost of cotton should have come down in the last few weeks. But staggered supply of cotton by farmers has kept the prices high. The role of traders in hoarding cotton is also cited as a reason for the price rise.

"Cotton traders are engaging in hoarding, which has been creating artificial shortage resulting in cost inflation. Import is also difficult as the government had imposed an import duty of 10% in last year's Budget," said president of Tirupur Exporters and Manufacturers Association (Teama) M P Muthurathinam. "Yarn prices have increased by over 150/kg in one year. On Saturday alone, there was 30 increase, taking the price to 360. It is expected to go up," he said.

Raja M Shanmugam, president of the Tiruppur Exporters Association, said that the government has been silent as cotton farmers are getting benefit over the increase in cotton price.

"But survival of the textile industry, which is also labour intensive, is the responsibility of the government as it ensures livelihood of millions of families. If this industry suffers, cotton farmers will eventually suffer. Waiving import duty on cotton will be an immediate measure to bring prices down."

Source: timesofindia.com– Jan 04, 2022

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Deferred orders, slow demand to hurt exporters in Q1

Indian exporters of leather goods, garments and carpets have begun to witness a fall in orders from Europe, requests to push deliveries by a few weeks, and queries related to various restrictions being put in place to control the rapidly rising cases of the Omicron variant of Covid-19 in the country.

Likely manpower crunch, especially in logistics, high freight and restrictions across the globe, could dent India's exports in the first quarter of 2022, they said. "Queries have slowed as fear has set in among global buyers. Orders from Europe have slowed down and we expect retail sales to get hit," said Yogesh Chaudhary, director, Jaipur Rugs.

Buyers in the US, who were earlier asking for earlier delivery of their orders, have delayed it by a few months, Chaudhary said. Exporters said that buyers who had earlier predicted strong demand, are now reforecasting it for the next 2-3 months. India's exports hit a nine-month low at $30.04 billion in November.

As per Rafeeque Ahmed, chairman of Chennai-based Farida Group, one of India's largest shoe manufacturers and exporters, and a vendor to Adidas, Clarks, Marks & Spencer, Debenhams and Bally Shoes, among others, clients in the US are inquiring about the various restrictions in India.

"We are running at full capacity now and maybe we can increase production a bit more to prepare for the bad days ahead. Business will get affected once the transport-related restrictions come in place," Ahmed said.

A Delhi-based exporter of garments expects deferred order flows as many activities are expected to shut down globally in the next few days once client return from their holidays.

Source: economictimes.com– Jan 03, 2022

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Focus on labour-intensive sectors

Weak private consumption demand and frail consumer sentiment remain a key challenge as we step into 2022. Sustained recovery in labour-intensive sectors such as construction and trade, hotels, tourism and other contact-based services together with government support for urban poor will be the key to overcoming this challenge.

The monetary policy will begin to normalise next year, handing the baton to fiscal policy, which needs to play a supportive role while engineering a calibrated reduction in deficits. All eyes on the Budget for this.

Double digit WPI inflation means continued rise in input costs. As these are passed on to consumers, prices will remain under pressure. Inflation will remain a key monitorable in 2022.

Surprises from the US Fed can make capital flows and currency volatile. While not immune, India can take succour from the fact that it is somewhat better placed to withstand monetary policy surprises from the US this time.

Then there is Omicron. While we are still learning about its transmissibility, virulence and the ability to dodge vaccines, it has certainly injected uncertainty into next year's outlook.

Source: thehindubusinessline.com– Jan 03, 2022

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Dubai’s Emaar group to develop 5 lakh sq ft shopping mall in Srinagar

In 2005, Emaar Properties entered the Indian real estate market in partnership with India's MGF group and invested Rs 8,500 crore through joint venture Emaar MGF Land.

Dubai-based realty firm Emaar Properties on Monday said it will develop a 5 lakh square feet shopping mall at Srinagar in Jammu & Kashmir. A memorandum of understanding (MoU) has been signed between the governments of Dubai and Jammu & Kashmir to facilitate investments into this proposed project, Emaar said in a statement. This will be the first significant FDI investment in the union territory, it added.

According to the MoU, Emaar will develop ‘Emaar Mall’ of 5,00,000 square feet in size in Srinagar.” The UAE and India are comprehensive strategic partners and this project by EMAAR will be a landmark of Jammu and Kashmir. I would like to congratulate EMAAR and all the partners in this project , and am sure we will see many such projects coming up in the near future,” said H. E.

Ahmed Abdul Rahman Albanna, the UAE Ambassador to India.” The UAE and India economic partnership is at an inflection point and we will invite other UAE investors to look at this opportunity too,” he said. Mohamed Alabbar, Founder of Emaar, said the company intends to bring a world-class mall experience to residents of Jammu and Kashmir and also the tourists.” EMAAR is also considering other investments into real estate, hospitality and mixed use commercial and residential projects in Jammu and in Srinagar,” Alabbar said.

“The Union Territory of Jammu and Kashmir has created a very attractive investment landscape, and this FDI project is a reflection of the close brotherly relations between UAE and India. We are looking forward to several projects being announced in the near future and significant employment opportunities being created in the process,” said Aman Puri, Consul General of India in Dubai.

Last month, the Jammu and Kashmir government opened the union territory to the country’s real estate investors by signing 39 MoUs worth nearly Rs 19,000 crore at a real estate summit held in Jammu.

As many as 20 MoUs were signed for development of housing projects, while 7 were inked for commercial, 4 for hospitality, 3 infratech, 3 film and entertainment and 2 finance projects. In 2005, Emaar Properties entered the Indian real estate market in partnership with India's MGF group and invested Rs 8,500 crore through joint venture Emaar MGF Land.

However, in April 2016, it decided to end this joint venture. In January 2018, the National Company Law Tribunal (NCLT) had approved the proposed demerger scheme of Emaar MGF Land, paving the way for two joint venture partners – Emaar Properties and MGF Development – to go separate ways.Emaar India is developing real estate projects mainly in Delhi-NCR and Punjab

Source: financialexpress.com– Jan 03, 2022

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39 more MoUs inked ahead of Vibrant Gujarat summit

In the run-up to the 10th edition of the Vibrant Gujarat Global Investor Summit (VGGIS), the Gujarat government signed 39 more memorandums of understanding (MoUs) on Monday.

The MoUs are in the areas of ports, renewable energy, green renewable hydrogen, pesticides, synthetic chemicals, training and research, and education. This is the sixth and final tranche of MoUs ahead of VGGIS 2022, to be held from January 10 to 12.

The Gujarat government has signed 135 pre-VGGIS MoUs worth over Rs 60,000 crore on the last six Mondays. For the last two tranches, the state has not divulged financial details of the MoUs.

Kolkata-headquartered Shree Cement has signed MoUs to develop an integrated cement plant with a captive jetty, a cement grinding unit and a captive solar project at Lakhpat in Kutch district. Shree Rama Newsprint, one of India’s largest manufacturers of recycled paper, plans to set up an agro processing plant with 20,000 tonne per day capacity to crush maize, in Surat district.

Madura Carbon India has evinced interest in carbon production in Valsad district, while the Rs 7,770-crore business conglomerate DCM Shriram has zeroed in on manufacturing of speciality chemicals in Bharuch district. The Baroda Rayon Corporation has signed an MoU for 15,000 TPA viscose filament yarn and 6,600 TPA caustic soda production in Dahej.

Alembic Pharmaceuticals has signed an MoU for expansion of its synthetic organic chemical plant in Bharuch district. Furniture fittings manufacturer Hettich Group, headquartered at Westphalian in Germany, has signed an MoU through its Indian subsidiary Hettich India to make Quadro channels in Vadodara district.

Ambica Steels has signed an agreement for a Greenfield integrated stainless steel plant of 20,000 TPA capacity in Kutch district, while TN India, the Indian subsidiary of a Japanese multinational giant, will set up a chrome steel bolts manufacturing plant. Vishakha Group has shown interest in setting up a solar module components production unit in Kutch.

A senior official closely involved in the MoU signing ceremony said Prime Minister Narendra Modi will participate in the summit on the first two days. He will inaugurate the event in the presence of dignitaries, including political leaders, emissaries, business tycoons and others from at least 26 countries.

Source: financialexpress.com– Jan 03, 2022

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Unemployment reaches 4-month high of 7.91 pc in Dec: CMIE data

Unemployment rate in the country touched a four-month high of 7.91 per cent in December 2021, data from the Centre for Monitoring Indian Economy (CMIE) showed on Monday.

The unemployment rate had stood at 7 per cent in November, the highest since August which was at 8.3 per cent, according to the CMIE data.

The urban unemployment rate was at 9.30 per cent in December from 8.21 per cent in November 2021, while the unemployment rate in rural areas stood at 7.28 per cent from 6.44 per cent in the previous month, according to the data.

CMIE Managing Director and CEO Mahesh Vyas told PTI that in December 2021, the number of jobs increased but the number of jobseekers was even higher.

“This is a good sign as the influx into the labour market was high. Around 8.3 million additional people were looking for jobs. However, four million jobseekers got employment,” he stated.

Source: financialexpress.com- Jan 03, 2022

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