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INTERNATIONAL NEWS

Brazilian cotton index CEPEA/ESALQ soars 68.2% in 2021

After witnessing an increase of 42 per cent in 2020, Brazil's CEPEA/ESALQ Index for cotton soared 68.2 per cent in 2021, closing at BRL 6.4085/pound on December 27. Lower production, firm demand, higher international cotton price, high dollar levels against real, and increase in export parity price are the reasons for the increase in price.

Cotton prices in Brazil have been in an upward trend since mid-2020, and, in 2021, they hit the highest nominal levels of CEPEA (Center for Advanced Studies on Applied Economics) series.

Moreover, high share of production traded beforehand through contracts to export reduced the availability of cotton in the spot market during the year. The export parity price moved up by 48 per cent from December 30, 2020 to December 27, 2021, boosted by the 8.68 per cent dollar increase against real, and the Cotlook A Index, which rose by 47 per cent in the same period.

In December 2021, the Index averaged BRL 6.3537/pound, which is a record in nominal terms. In real terms (IGP-DI November 2021), the average price in December is the highest since April 2011, when it was BRL 8.3193/pound.

Meanwhile, data from CONAB, the National Supply Company, indicate that compared to the previous season, the planted area decreased by 17.7 per cent in the 2020-21 season to 1.37 million hectares. In addition, productivity decreased by 4.5 per cent to 1,721 kg/hectare. So, the total cotton production in 2020-21 season is expected to decline 21.4 per cent to 2.36 million tons.

In 2021, from January to the fourth week of December, Brazil exported 1.94 million tons of cotton, i.e., 9 per cent less compared to the record registered in 2020.

Source: fibre2fashion.com– Jan 05, 2022

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Monthly US GDP declined 0.8% in November 2021: IHS Markit

Monthly GDP of the United States declined 0.8 per cent in November 2021, reversing about one-half of a 1.6 per cent increase in October, according to IHS Markit. The October increase was revised higher by 0.1 percentage point. Averaged over October and November, monthly GDP was 7.1 per cent above the third-quarter average at an annual rate.

The November decline was mainly accounted for by a sharp widening of the goods deficit. There was also a decline in nonfarm inventory investment. Together, these sources of drag more than offset a modest gain in domestic final sales, as per the report.

Implicit in IHS Markit's latest estimate of 6.7 per cent GDP growth in the fourth quarter is an assumed 0.1 per cent increase in monthly GDP in December.

IHS Markit's index of Monthly US GDP (MGDP) is a monthly indicator of real aggregate output that is conceptually consistent with real Gross Domestic Product (GDP) in the National Income and Product Accounts.

Source: fibre2fashion.com– Jan 06, 2022

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China's Shanghai port number 1 globally in container throughput

Shanghai port in China has continued to top in container throughput ranking worldwide for the 12th consecutive year by processing over 47 million 20-foot equivalent units (TEUs) in 2021. The number was achieved despite the impact of COVID-19 on the global shipping industry, as per port data. It handled 6.3 million TEUs in domestic and 32 million TEUs in foreign trade in 2021.

Recording an year-over-year increase of 13.4 per cent, the throughput of international transit containers exceeded 6 million TEUs for the first time at the port, as per the Shanghai International Port Group Co Ltd.

The Shanghai port boasts of intelligent heavy trucks and automatic terminals. Further, the port has also adopted digital transformations to improve its operational efficiency.

Source: fibre2fashion.com– Jan 06, 2022

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Over 15K train services linked China & Europe in 2021

Freight train services between China and Europe grew by 22 per cent year-over-year to reach over 15,000 in 2021, according to data shared by the country's national railway operator China State Railway Group. The growing number of freight train services between the two regions has contributed towards stabilising the global supply chains amid the pandemic.

The total number of containers carried by these freight trains amounted to 1.46 million, a 29 per cent increase compared to the previous year.

Cross-border cargo services have contributed towards combating the coronavirus as well as stabilising the supply chains globally, according to the China State Railway Group.

Source: fibre2fashion.com– Jan 06, 2022

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Egypt's apparel exports increased by 38% in 11 months of 2021

Egypt exported apparel and readymade garments worth $1.7 billion during the first 11 months of 2021, up 38 per cent from $1.3 billion in the same period of the year 2020, as per the Readymade Garments Export Council of Egypt (RMGEC) head Marie Louise. The US was the top country for Egyptian apparel exports, amounting to $1.04 billion, a 44 per cent YoY increase from $726 million in 2020.

Exports of garments and apparel to Europe increased by 3 per cent to reach $320 million in January-November 2021 from $310 million in the same period in 2020. Exports to Arab countries increased from $83 million in first 11 months of 2020 to $235 million in the same period in 2021, recording an increase of 128 per cent, said Egyptian media reports quoting Louise.

Exports of T-shirts and polo shirts increased by 34 per cent from $339 million in first 11 months of 2020 to $445 million in the corresponding period of 2021. Sportswear exports rose 102 per cent to reach $24 million, while trousers exports recorded a 179 per cent increase to reach $49 million.

Louise attributed the jump in exports to the Council's continued efforts, direct communications with state agencies concerned with exports to overcome obstacles in garment exports.

Source: fibre2fashion.com– Jan 06, 2022

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China on course to find permanent solution to energy crisis

In what could revolutionise the production and amount of clean energy generated, the Experimental Advanced Superconducting Tokamak (EAST), dubbed the Chinese 'artificial sun', has achieved a continuous high-temperature plasma operation for 1,056 seconds in the latest experiment last week. This is the longest time of operation of its kind in the world.

EAST is located at the Institute of Plasma Physics of the Chinese Academy of Sciences (ASIPP) in Hefei, capital of Anhui province in east China. Its goal is to create nuclear fusion like the Sun, using deuterium abound in the sea to provide a steady stream of clean energy, according to Chinese media reports.

While the fossil fuels—natural gas and coal—used by the industry at present are not in abundance and pose a threat to the environment, the raw material needed for the 'artificial sun' is almost unlimited on earth. Deuterium, or heavy hydrogen, the raw material used in the experiment, is one of the two stable isotopes of hydrogen. It accounts for approximately 0.0156 per cent (0.0312 per cent by mass) of all the naturally occurring hydrogen in the oceans, according to Wikipedia.

So, once the experiment, which is to go on till June 2022, is successful China will be able to achieve two goals at a time: 1. It would be able to produce greater amount of clean energy through a process similar to that occurs on the sun, and 2. It would mean an end to all energy crisis as the process would create energy in massive amounts, which in turn can be converted into electricity for industrial purposes.

The project is estimated to have cost more than $940 billion.

In the second half of 2021, particularly in October, China had faced severe power crisis mainly on account of shortage of coal for electricity generation. This has affected production in several industries, including the textile industry.

Source: fibre2fashion.com– Jan 06, 2022

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RCEP promise of enhanced trade will be challenged by geopolitics: Report

The Regional Comprehensive Economic Partnership (RCEP), which came into force on Saturday for the majority of its 15 Asia-Pacific economies, will be challenged by Indo-Pacific geopolitics, according to a report.

The RCEP brings together the ten members of the Association of South-East Asian Nations (ASEAN) - Indonesia, Malaysia, the Philippines, Brunei, Singapore, Vietnam, Cambodia, Laos, Thailand and Myanmar - plus five of Association of South-East Asian Nations (ASEAN)'s major Free Trade Agreement (FTA) partners: China, South Korea, Japan, Australia and New Zealand.

The idea of RCEP was originally proposed by the ASEAN countries in 2011 as a way of bringing ASEAN's key FTA partners into one overarching agreement, and negotiations began in earnest in 2013.

China was the first to ratify RCEP, in April last year after it was signed in November 2020 at a virtual meeting of leaders from its 15 member countries. Indonesia, Malaysia and the Philippines have yet to do so, though they are expected to ratify it soon. Myanmar, whose government was ousted by the military on February 1, ratified it but that is pending acceptance by other members.

The United States is not a part of the agreement, even though it is in the Asia-Pacific region, and India has also pulled out of the negotiations.

Further, RCEP's commitment to regional integration will be challenged by Beijing's increased military assertiveness forcing the ASEAN member nations to join Quadrilateral Security Initiative involving, the US, Japan, India and Australia in the region, according to analysts.

Earlier, the updated version of the Quadrilateral Security Initiative called Quad 2.0 was formed on the sidelines of the November 2017 ASEAN and East Asia Summits held in Manila, the Philippines with the proposal for the maritime alliance being mooted by Japan.

Meanwhile, RCEP member nations Indonesia, Vietnam and the Philippines have contested territorial claims with China in the geopolitically significant South China Sea.

Also, despite their deep trade relations with China, ASEAN countries look to the US for strategic partnership as three ASEAN Indonesia, Malaysia, and the Philippines participated in US Democracy Summit to strengthen strategic partnership with Washington.

Meanwhile, the US is trying to re-engage with South East Asia and President Joe Biden met with leaders from the region in October last year for a virtual summit in Washington's first high-level engagement with the ASEAN in four years and announced a USD 100 million initiative to beef up Washington's engagement with the region.

Source: business-standard.com– Jan 03, 2022

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Chinese cotton linter prices soar

Prices of cotton linter in China surged to a decade high in 2021, says a CCF Group Report. Delinting is the process of removal of short fiber from cotton seeds before oil is extracted from the seeds.

Supply was tight in 2021 because inflation kept pushing up cottonseed and cotton linter prices. Coupled with growth of refined cotton-grade and cotton linter pulp grade-cotton linter, the widening supply gap further added to the tightness of cotton linter supply.

However, the commodity market gradually cooled down with bigger pressure on the control of coal since the end of October and prices of cottonseed and cotton linter fell after peaking amid increasing supply. There was large supply gap of cotton linter in 2021 because of the recovery of demand from refined cotton, especially a sharp increase of cotton linter pulp (CLP)-grade cotton linter in the first three quarters. Thus the gap had to be filled in by imported cotton linter. Cotton linter imports by China grew significantly.

In 2022, cotton linter consumed by refined cotton and cotton linter pulp is expected to fall, so cotton linter prices may be under pressure with subdued growth of demand, so the price is expected to be moving down. However, the emergence of unexpected events may cause price volatility or unpredictable changes on the market.

Source: fashionatingworld.com– Jan 05, 2022

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Why Manufacturing is Driving Vietnam's Growth

Compared to other Southeast Asian countries, Vietnam stands out with international airports seaports, and rail links facilitating production flow and transportation.

In 2020, the manufacturing and processing sector continued to take the lead in the country's foreign direct investment (FDI), making up 58.2 percent of the total. With its contribution, Vietnam's economy is forecast to regain momentum and reach GDP growth of 6 to 6.5 percent in 2022.

In 2020-2021, due to COVID-19, the manufacturing sector endured significant supply chain disruptions. Temporary business closures, transportation difficulties, and staff shortages all contributed to a reduction in manufacturing output in Vietnam.

Meanwhile, the pandemic hindered manufacturing industries due to an increase in input prices, raw material shortages, lack of shipping capacity, and transportation issues.

However, following the easing of lockdown restrictions, business activity in Vietnam has been busy again with consumer confidence gradually recovering.

According to a report by IHS Markit, Vietnam's manufacturing purchasing managers' index (PMI) increased to 52.2 in November from 52.1 in October, attributed largely to higher new orders and government incentives. A score of 50 or more means an expansion in manufacturing.
Manufacturing's key drivers

The manufacturing industry is driven by several key factors. Firstly, Vietnam is touted as a low-cost manufacturer with competitive labor costs. On average, Vietnam's labor costs are half as much as China's labor costs at US$2.99 (VND 68.000) per hour compared to US$6.50 (VND 148.000) per hour respectively. This contributes to Vietnam's increasing position as a more cost-effective alternative to its regional counterparts.

Secondly, Vietnam has a relatively large, well-educated labor force, making it an attractive hub for production. In addition, the government has provided various vocational education and training sessions to equip the workforce.

With the current labor shortage and lack of skilled workers in specific industries such as IT, the government has put additional strategies and programs in place.

For example, several incentives have been issued such as the recent approval of the vocational education and training strategy 202-2030 and the issuance of Decision 17 on vocational training support. This highlights Vietnam's commitment to improving the efficiency of training and education for the labor market.

A plethora of free trade agreements (FTAs), such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub.

Such trade agreements allow Vietnam to take advantage of reduced tariffs, both within the ASEAN Economic Community (AEC) and with the EU and US to attract exporting companies to produce in Vietnam and export to partners outside ASEAN.

Additionally, Vietnam has benefitted from the fallout of the US-China trade war, as higher US tariffs on a wide range of Chinese exports have driven manufacturers to switch production away from China towards alternative manufacturing hubs such as Vietnam.

Vietnam in particular has grown to become an inexpensive and versatile destination for manufacturing outside of China, however, it still needs to develop to fully leverage its manufacturing capabilities.

Click here for more details

Source: vietnam-briefing.com– Jan 04, 2022

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Turkey Orders Exporters to Convert 25% of Income to Liras

Turkey will require exporters to convert a quarter of their revenues to liras, the latest step in the government's efforts to boost its reserves and support the local currency.

The central bank will buy 25% of all income from exports of goods so long as the exporters receive payments in U.S. dollars, euros or pounds, the monetary authority said in a decree on Monday.

Turkey Doubles Down on Lira-Deposit Plan Even as Currency Slides

The measure is aimed at boosting Turkey's foreign currency reserves by forcing companies to keep some of their revenues from sales abroad in the local currency. It comes after a year of severe losses in the lira, which lost nearly half of its value against the dollar last year as President Recep Tayyip Erdogan called on the central bank to lower its benchmark interest rate.

The lira is trading 0.3% weaker at 13.3430 per dollar at 3:54 p.m. in Istanbul, extending losses over the past year to just over 44%, the biggest such slump among major currencies tracked by Bloomberg.

Source: bloomberg.com– Jan 03, 2022

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Cambodia-Canada trade up 26%, EU-Cambodia trade up 11% in Jan-Oct 2021

Trade between Cambodia and Canada was valued at about $822 million in the first 10 months of 2021, marking a 26 per cent year-on-year (YoY) hike, while Cambodia-European Union (EU) trade rose by 11 per cent to about $3.48 billion in that duration, according to the Cambodian ministry of commerce.

The Cambodia Chamber of Commerce is working with the ministry to open its first office in Canada soon.

In January-October 2021, Cambodian exports to Canada were worth $790 million, up by 31 per cent YoY from $604 million, and imports logged $32 million, down by 33 per cent from $48 million in the same period in 2020. Cambodia has exported a lot of core merchandise to the Canadian market such as textile products, garments and apparel, travel goods and bicycles.

From January to October 2021, while the country's exports to the EU were valued at $2.62 billion, up 1 per cent compared to the same period last year, it imported $864 million worth of goods from the EU, a YoY rise of 54 per cent, according to Cambodian media reports.

Cambodia mostly exported agricultural products, including milled rice, textiles and footwear, and bicycles to the EU, and imported construction materials, food and beverage and pharmaceutical products.

Source: fibre2fashion.com– Jan 05, 2022

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UAE-based textile division of ARISE IIP joins ITMF

The textile division of ARISE Integrated Industrial Platform (IIP), based in the UAE, has joined the ITMF as a corporate member. ARISE IIP identifies industrial gaps in African countries to unlock value and create new industries. The aim is to industrialise key sectors by creating transformation, maximising production, efficiency, and cost, which in turn generates local value addition.

Arise IIP seeks to boost exports, enable local transformation of raw materials and promote trade by tailor-made special economic zones in Gabon, Benin and Togo. In Benin and Togo Arise IIP will focus at creating value chains for the textile industry – from raw material sourcing to resource transformation through manufacturing, to exporting final products, ITMF said in a press release.

The International Textile Manufacturers Federation (ITMF) founded in 1904 is the international forum of the global textile value chain. Its members are from textile and apparel producing countries representing 90 per cent of global production.

"By becoming a corporate member of the ITMF, Arise IIP will benefit from a unique international network, the expertise of ITMF, and an international platform for the global textile value chain where international trends and are discussed. Likewise, ITMF and ITMF's members will benefit from Arise's activities in West Africa," said Dr Christian Schindler, director general of ITMF.

"By joining ITMF we have access to all major players in the global textile and apparel value chain. The world is getting more and more integrated. Therefore, cooperation along the global textile value chain and understanding its complexity and dynamics are paramount," Rajaguru Raja, CEO of Arise IIP (Textile Division), said.

Source: fibre2fashion.com– Jan 04, 2022

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US remains top destination of Pak exports with 43pc growth: Dawood

The United States remained Pakistan's largest export market, with $607 million worth of goods exported to the country in December 2021, showing a growth of 43 percent on a year-on-year basis.

Advisor to the PM on Commerce and Investment, Abdul Razak Dawood shared this in a tweet on Tuesday, saying that Pakistan's exports in December 2021 have seen a rise as compared to the same period last year.

He said the US was followed by China as Pakistan's second-largest exporting destination, with the country purchasing goods worth $325 million in December 2021, an increase of 25 percent.

Sharing further details, Dawood said that exports to the Netherlands, Spain, Bangladesh, Thailand, Sri Lanka, Malaysia and Kazakhstan also increased.

However, the exports to the UK, Germany, Afghanistan, Russia and Saudi Arabia declined in December 2021 as compared to the same period last year, the advisor shared.

He said that exports of fish and allied products, plastics, cement, cotton fabric and rice have witnessed an increase in the said period. The advisor said that exports of men's garments, home textiles, rice, ladies' garments, jerseys, cardigans and T-shirts also witnessed upsurge during the same period.

The data showed that Pakistan's exports of men's garments increased by 26pc, home textiles by 2pc, rice by 5pc, cotton fabric by 17pc, cotton yard by 11pc, women's garments by 13pc, jerseys & cardigans by 55pc, T-shirts by 46pc, fish & fish products by 64pc, plastics by 70pc, and cement by 45pc in December 2021 as compared to December 2020.

During the same period, the advisor said that exports of fruits, vegetables and surgical instruments declined. The data showed that Pakistan's exports of fruits & vegetables and surgical instruments declined by 19pc and 3pc respectively.

Earlier on Sunday, Dawood said Pakistan's exports increased by 16.7pc to $2.761 billion during December 2021 against the targeted $2.8 billion, compared to $2.366 billion in December 2020.

During the first half of the current FY (Jul-Dec 2021), he added that exports increased by 25pc to $15.125 billion as compared to $12.110 billion during July-December 2020. The export target for the first half of this FY was $15 billion, he added.

Source: dailytimes.com.pk– Jan 05, 2022

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Cotton arrival at Pakistan ginneries up 36.81% as on January 1

Over 7.347 million bales of cotton have arrived in 2021-22 season at various ginneries in Pakistan, as on January 1, 2022, up 36.81 per cent compared to arrival of 5.370 million bales during the corresponding period of last season, according to the latest fortnightly report on cotton arrivals, released by Pakistan Cotton Ginners' Association (PCGA).

In the major cotton producing province of Punjab, total cotton arrivals increased by 17.81 per cent year-on-year to 3.838 million bales, according to the report prepared by PCGA, in joint cooperation with All Pakistan Textile Mills Association (APTMA) and the Karachi Cotton Association (KCA). While in Sindh province, cotton arrivals were up 66.12 per cent to 3.508 million bales as on January 1 during the ongoing cotton season 2021-22.

Of the total arrival of 7.347 million bales at various ginneries in Pakistan, 7.312 million bales were pressed by ginners, of which 7.035 million bales were sold, leaving an unsold stock of 277,185 bales with the ginners, as on January 1, according to the PCGA report.

The textile mills in Pakistan consumed 7.019 million bales, while another 16,000 bales of cotton were sold to exporters, according to the data. The Trading Corporation of Pakistan (TCP) has not procured any bale of cotton so far this season.

As of January 1, a total of 64 ginning factories were operational in Punjab compared to 185 ginneries that were operational during the same time last season. Similarly, 43 ginning units were operational in the Sindh region, compared to 72 operating units during the corresponding period last year.

In the previous cotton season 2020-21, Pakistan had produced around 5.645 million bales of cotton, much lower than 8.571 million bales in the previous season, due to water shortage and attacks by cotton leaf curl virus (CLCV) and other pests.

Source: fibre2fashion.com– Jan 05, 2022

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Bangladesh's import bills rise by 54% in 1st 5 months of this fiscal

Bangladesh's import payments have surged by 53.74 per cent year on year to $30.3 billion between July and November—the first five months of fiscal 2021-22, according to statistics from Bangladesh Bank. The rising import bills indicate a steady economic recovery. The settlement of letters of credit stood at $19.72 billion in the corresponding period last year.

Yarn, capital machinery and intermediate goods imports had a strong contribution to the bills, which means production lines are kicking and there has been a strong consumer demand at home. However, increasing commodity prices in the international market and rising shipping costs pushed up the import payments, according to a report in a Bangladesh newspaper.

In the first five months of FY22, capital machinery import grew by 30 per cent, import growth of intermediate goods was 70 per cent and that of yarn was 103 per cent.

Source: fibre2fashion.com– Jan 04, 2022

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Pakistan: Policy withdrawal draws criticism

Textile exporters have expressed serious concern over the planned withdrawal of Textile Policy 2020-25 in the wake of "harsh measures" being taken by the Ministry of Finance to revive the economy and the International Monetary Fund (IMF) loan programme.

In a joint statement on Tuesday, Pakistan Apparel Forum Chairman Mohammad Jawed Bilwani termed the move unwise and reckless.

"The proposal comes at a time when the textile export industry is in a take-off mode and businessmen are looking to boost exports," he said. "Withdrawal of the policy will destroy the textile sector, dent exports, slash foreign exchange reserves and encourage businessmen to shift industries to some other country."

He noted that the textile exporters were disappointed and burdened with one adverse decision after another and as a result they were planning to shift their business to foreign countries where they could work and expand their enterprises peacefully.

Government's decision to withdraw the policy would prove to be the "deadliest U-turn" in the history of Pakistan because it would not only sabotage efforts of the value-added textile exporters but would also destroy the textile base. Talking about the issue, Arif Habib Limited analyst Arsalan Hanif told The Express Tribune that the primary purpose of policies should be to steer sustainability in decisions for the next five years.

"If there is no consistency in policy, then there will be no new investment," he voiced concern. Pakistan Knitwear Sweaters Exporters Association Chairman Aitazaz Ahmed Japanwala said that the policy was approved with the consent of Prime Minister Imran Khan, who agreed, in principle, to all recommendations of the textile exporters.

"From time to time, the commerce and finance ministries also gave their assurance of complete support in this regard," he said. "The implementation of the recently approved third textile policy had been pending since 2019 and now it seems that all efforts will prove to be futile."

The Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) called for reversal of the policy withdrawal decision because swift implementation of the policy was vital for new investment in the export-oriented sectors of Pakistan.

"Withdrawal of this policy will deal a blow to the value-added garments sector," noted PRGMEA North Zone Chairman Sheikh Luqman Amin in a letter written to PM Khan on Tuesday. "It is also against the prime minister's vision of promoting exports."

He lamented that Pakistan was already lagging behind regional countries in terms of exports and withdrawal of the policy would lead to contraction of exports besides widening the already ballooning trade deficit.He was of the view that a long-term policy would give investors a clear signal that the government was ready to support the apparel sector.

He stressed the need to introduce a proper policy for the textile sector and cited that the industry contributed about 60% to the country's total exports, besides providing jobs to millions of people. "At present, the industry is working below capacity and several exporters are refusing export orders," he said.

On the flip side, Arif Habib Commodities CEO Ahsan Mehanti said that the Textile Policy 2020-25 was a burden on the government and other industries were at a disadvantage due to the policy.

He noted that the ultimate aim of the policy had been achieved, ie revival of the textile sector. "The government has to fulfill IMF conditions and align the textile policy with the industrial policy to control the fiscal deficit," said Mehanti.

He stressed that attention should be paid to new sectors to maintain or lift foreign exchange reserves and exports once the textile policy was withdrawn. According to him, IT services, cement and agriculture sectors could fill the gap left by reversal of the textile policy.

Source: tribune.com.pk– Jan 05, 2022

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NATIONAL NEWS

Shri Piyush Goyal thanks the Prime Minister for the decision to defer the increase of GST slab from 5% to 12% for Textiles sector while addressing All India Textiles Association

Union Minister for Textiles, Commerce & Industry and Consumer Affairs and Public Distribution, Shri Piyush Goyal has said that Industry and Government are partners in India's growth story & now, is the time to be a Global Champion in Textiles by taking up bigger & bolder targets. Interacting virtually with the leaders of Textile Industry in India, today, Shri Goyal stated that in this period of the Azadi ka Amrit Mahotsav, we must all collectively put forth our efforts in one direction to realise our goals. Shri Goyal asked the Textile industry to work for achieving the target of $ 100 billion exports in a quick time.

Thanking the Pime Minister Narendra Modi and Finance Minister for the decision to defer the increase of tax slab from 5% to 12% for Textiles, taken in the 46th meeting of GST council, Shri Goyal said that this is a new year gift for the Textile Industry.

He added that the requests of industry stakeholders was considered in present challenging times when the sector is on the path of recovery. He also expressed his gratitude to the textiles leaders who remain connected with the Ministry with all their grievances regarding raising the GST slab in MMF segment.

The Minister mentioned that under Prime Minister, the textile sector has received a new boost to achieve Speed, Skill & Scale. He emphasized that to make India Aatmanirbhar, we need to make our Artisans, Weavers, Farmers & MSMEs Aatmanirbhar.

Talking about several transformational reforms to realise vision of an Aatmanirbhar Bharat & solidify India's position on the Global textiles map, the Minister said that step by step we have strengthened textile ecosystem of the nation to fully utilise our competitive & comparative advantage. He said from weavers to women entrepreneurs, every segment has been empowered by these steps.

Shri Goyal called upon the Textiles Industry Leaders to send suggestions for improving and developing the sector further. He also said that collectively with Subka Saath, Subka Vikas, Subka Prayas and Subka Vishwas we will surely achieve all of our targets.

The Minister also enumerated and suggested the steps of Vikas and Aatmanirbharta. Referring to PLI Scheme for Textiles, he said that PLI will increase the global footprint of India in MMF & Technical Textiles. He said Rs 10,683 cr scheme will create 7.5 Lakhs direct Jobs. He said approval for 7 PM Mega Integrated Textile Region & Apparel (PM MITRA) Parks will attract cutting edge technology, investment & generate ~1 Lakh direct & ~2 lakh indirect employment per park.

Shri Goyal stated that continuation of RoSCTL scheme up to Mar 2024 will boost export competitiveness. He said RoDTEP for Textiles Products other than Apparel & Made Ups have been covered in RoSCTL. Removal of Anti Dumping Duty on several key raw material e.g. PTA, Viscose Staple Fibre, Acrylic, Nylon is a boost to man made fibre based textiles industry, he added.

The Minister mentioned that government is trying to get new markets for textiles through FTA. He informed that in all the ongoing negotiations with major countries like UK, UAE, Canada, EU, Australia there is a special focus on getting concessional duties for Textile products.

Talking about SAMARTH Scheme, the Minister said that 71 textile manufacturers, 10 industry associations, 13 state govt agencies & 4 sectoral organisations on-boarded to help skill development & training of ~3.45 lakh beneficiaries. Steps have been taken to on-board weavers on GeM platform to enable them to sell their products directly to Govt, ~1.50 Lakh weavers on-boarded, he added.

Under Concessional Credit/Weaver MUDRA Scheme, for financial assistance, Shri Goyal said that Margin money assistance @20% of loan amount, (max Rs 25,000) per weaver & @ 20% of loan amount, (max Rs 20 lakh) per handloom organization is provided.

Shri Goyal further said that robust export numbers helping us realise the dream of “Local goes Global; Make in India for the world”. He informed that textiles export increased by 45%, to $16.7 bn in Apr-Nov 2021 w.r.t same period in Apr-Nov 2019.

Referring to the challenging times of COVID pandemic, the Minister said that we have suffered losses but we have also learned many lessons. He said, “The wise learn many things, even from difficult situations”. We have converted the crisis into an opportunity, he added.

Source: pib.gov.in– Jan 04, 2022

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Commerce ministry to launch Brand India Campaign to boost exports

With the country's outbound shipments all set to cross USD 400 billion this fiscal year, the commerce ministry is planning to launch Brand India Campaign to give momentum to exports of both services and products in new markets, an official said.

This campaign would serve as an "umbrella campaign" for promoting goods and services exported by India, the official said.In the initial stage, the campaign would focus on Indian exports in specific sectors such as gems and jewellery, textiles, plantation products (tea, coffee, spices), education, healthcare, pharma, and engineering.It would essentially focus on quality, heritage, technology, value, and innovation.

Commerce and Industry Minister Piyush Goyal has recently reviewed the status of Brand India Campaign of India Brand Equity Foundation (IBEF).IBEF is a trust established by Department of Commerce with the primary objective of promoting and creating international awareness of the 'Made in India' label in markets overseas and to facilitate dissemination of knowledge of Indian products and services.

"The need for such a uniform campaign is necessary because at present, different sectors have been promoted with individual identities in different ways," the official added. The campaign approach would include focused export-oriented messaging to both buyers and consumers; new potential markets; Indian talent, tradition and modernity; and promotional events through digital channels and international events.

An agency will be selected and a Branding Steering Committee will be formed for the purpose besides creation of uniform logo identity, development of branding creatives (films, TVCs, print ads, digital banners).

Source: financialexpress.com– Jan 04, 2022

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The future of trade

On New Year's Day, the Regional Comprehensive Economic Partnership (RCEP), the world's largest free-trade agreement, or FTA, came into force. It was signed in November 2020, and involves the member states of the Association of Southeast Asian Nations, or Asean, alongside the People's Republic of China, Japan, Australia, and New Zealand. South Korea is also a signatory, and will join the pact at the end of this month.

The RCEP's arrival is a reminder that the future of the international trading architecture increasingly seems to be coalitions of the willing — plurilateral or regional trade pacts. India was part of the RCEP process but eventually pulled out of joining.

It has thus missed out on the opening of trading opportunities available to the other members. There have been few credible public statements about India's dropping out, which has upset its partners. Part of it may certainly be a broad unwillingness to join an FTA which appears in many ways to be centred on the Chinese economy. Yet broader pessimism about trade may also be an underlying reason —which would be a mistake.

In recent months, there has been some softening of official statements from New Delhi about the benefits of trading agreements. This thawing has mainly taken the form of the renewal of discussion on FTAs, such as with the European Union, movement with some smaller nations like Israel and the United Arab Emirates, and attempts at "early harvest" agreements with larger and more problematic trading partners like the UK which aim to side-step sectors in which there is failure to achieve a consensus.

Thus, these ambitions are themselves relatively limited and they have not borne any real fruit so far. Certainly, in terms of furthering the trade integration agenda, they do not come close to a real attempt to join a large pact such as the RCEP.

If the new openness to trade and integration in New Delhi is thus to be turned into something of genuine benefit to the Indian economy, it will have to raise the stakes. Certainly, India's continued observer status in the RCEP might be utilised to examine whether in fact it would be a net negative for the Indian economy to join. But even if not, the government should develop a keener understanding of the domestic reforms necessary to become part of the value chains of the future.

Benefiting from trade is not simply about market access and tariffs anymore; and entering diffused global supply chains is not the same as providing subsidies for onshoring of production. There is an entire menu of reforms and tariff rationalisation that will be necessary if India is indeed to gain from the ongoing realignment of global trade and supply.

New-age trade agreements are as much about "behind the border" adjustments such as regulatory harmonisation as they are about tariffs. Understanding this, and making the domestic changes necessary, will require deeper commitment from the government than a few conciliatory statements about trade.

It will also mean that the tendency to increase tariffs on average in the Union Budget must end. It has been promised that trade policy will be an important part of the forthcoming Budget. If so, the provisions must be forward-looking, and prepare India to be part of the trading blocs of the future.

Source: business-standard.com– Jan 03, 2022

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Hope to launch trade negotiations with Canada in 2-3 months: Piyush Goyal

Commerce and Industry Minister Piyush Goyal on Monday said India was trying to expand its bilateral trade relations with several nations and hopes to rapidly launch trade negotiations with Canada over the next two-three months.

"We are looking at a free trade agreement and comprehensive economic partnership with the UAE, which is close to finalisation. We are also at an advanced stage with Australia on concluding interim agreement, which will include our large area of interest, particularly about oriented sectors such as textiles, pharmaceuticals, footwear, leather and agricultural products," Goyal said.

Talks with the UK are expected to be launched later this month and an interim agreement could be in place by March.

Source: business-standard.com– Jan 04, 2022

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GST hike on textiles will put financial burden on 85% population if not withdrawn: Traders to Piyush Goyal

Urging Commerce Minister Piyush Goyal to withdraw proposed GST hike on textiles from 5 per cent to 12 per cent instead of deferring it, traders represented by Confederation of All India Traders (CAIT) on Tuesday said that the hike would put a 'big financial burden' on over 85 per cent of people in India who buys clothes of less than a thousand rupees. At a video conference by the Ministry of Textiles, trade associations under the CAIT umbrella said that the sword of GST hike is still hanging over the heads of textile and related businesses even as they thanked the government for postponing the hike for now.

"This increase will affect the country's textile trade whereas on the other hand more than 85 per cent of the people of the country, who buy clothes of less than one thousand rupees, will have a big financial burden upon them," CAIT said in a statement citing trade leaders. The government had deferred the GST hike on textiles from 5 per cent to 12 per cent. The decision was taken at the GST Council's 46th meeting on Friday under the chairmanship of Finance Minister Nirmala Sitharaman.

In November 2021, the government had notified uniform GST at 12 per cent on man made fibre (MMF), MMF yarn, MMF fabrics and apparel to address the inverted tax structure in the MMF textile value chain. The changed rates were to come into effect from January 1, 2022. Textiles Ministry had cited in a statement that 'long pending demand' from textiles and apparel industry under sales tax earlier and then under VAT and finally under GST regime for removal of inverted tax structure on MMF value chain. The GST on MMF, MMF Yarn and MMF Fabrics were 18 per cent, 12 per cent, and 5 per cent respectively.

"The taxation of inputs at higher rates than finished products created a build-up of credits and cascading costs. It further led to the accumulation of taxes at various stages of MMF value chain and blockage of crucial working capital for the industry," the ministry had said.

However, the inverted duty structure would still remain after GST hike as the raw material – purified terephthalic acid (PTA) and mono ethylene glycol (MEG) — required for MMF fibre and filament manufacturers was still capable of 18 per cent GST, according to a draft presentation prepared

by the Polyester Textile and Apparel (PTA) Association and shared earlier with Financial Express Online.

"The hike would only cover half the portion of MMF industry and left out its backward manufacturing structure which is the basic thing for the government to do first. The government should reduce GST on PTA and MEG also from 18 per cent to 12 per cent so that the whole MMF value chain is covered," RK Vij, General Secretary, PTA Association had told Financial Express Online.

Nirmala Sitharaman addressing a press conference after the GST Council meeting had said that a committee (Tax Rate Rationalisation Committee by GST Council), which is already looking at rate rationalisation, will again review textiles along with other items and submit a report by February.

"While the rollback of the GST rate hike proposed on many textile products would benefit the sector, especially SMEs and MSMEs who operate in this employment intensive sector, it would be necessary to find out a solution in future to the problems of inverted duty structure in the textile sector. The decision to roll back the proposed GST rate increase case of the textile products would also make the footwear sector expect similar treatment in future. The proposed recommendations of the rate rationalization committee expected in the next two months would be keenly watched by many sectors, including the textile sector," said M.S. Mani, Partner, Deloitte India.

CAIT said that Goyal has directed Textiles Ministry officials to interact with traders on the issue. On Monday, Tirupur Exporter's Association President Raja M Shanmugham had also requested Goyal to remove cotton import duty. Shanmugham also informed the minister that Textile Mills Associations, Southern India Mills Association, Tamil Nadu Spinning Mills Association, and Indian Texpreneurs Federation were told to advise their members not to increase the cotton yarn prices disproportionate to increase in cotton prices as that will affect the value-added knitwear garment sector.

Source: financialexpress.com– Jan 04, 2022

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The uneven nature of India's export growth

International trade posted a strong recovery in 2021 on the back of relaxation in pandemic associated restrictions, economic stimulus from governments and rising commodity prices.

Globally, trade in goods is expected to reach record levels of $22 trillion in 2021, an increase of 23 per cent as compared to the levels in 2020, and 11 per cent as compared to the pre-Covid levels in 2019. The buoyant global demand also boded well for exports from India. Merchandise exports from India posted a strong recovery in 2021, reaching nearly $354.4 billion during January to November 2021. This was a 104.5 per cent increase over the corresponding period of 2020.

The increase was not simply due to a low base-effect as merchandise exports were also an impressive 19.3 per cent higher than the pre-Covid levels in the corresponding period of 2019. During the first three quarters of 2021, merchandise exports far outpaced the pre-Covid levels, and the trend is likely to have continued in Q4 of 2021. Forecast by Exim Bank's Export Leading Index indicates a likely growth of 39.6 per cent during Q4 2021.

Diverse growth patterns

Notwithstanding the encouraging trends in global exports, the growth remained largely uneven across sectors. While sectors such as petroleum products, and industrial commodities were buoyed by increasing global demand and rising commodity prices, trade in sectors like automotive and electronics were disrupted by global shortage of semiconductors.

Growth in India's merchandise exports also mirrored this trend, with exports increasing in several traditional areas of competence like petroleum products, engineering goods, drug formulations, gems and jewellery, and textile and garments, but remaining far below pre-Covid levels in the sectors affected by semiconductor shortage such as cars and certain electronic components and electronic instruments.

The rising food security concerns in regions such as the Middle East and North Africa also led India to emerge as a reliable supplier of food products. Technology-intensive exports such as two- and three-wheelers, auto components and telecom instruments also recorded remarkable double-digit growth during the year.

Unresolved trade tensions

Several long-standing issues for India such as negotiations on fisheries subsidies, the highly ambiguous future of the Doha Round and persistent disagreements over reform of the multilateral trading system continued to pose challenges to rule-based trading regime. Moreover, several of India's trade disputes, both as a complainant and as respondent, remained unresolved due to the failure to reach a decision on appointments to the Appellate Body of WTO for the second consecutive year. Delay in reaching an effective outcome poses a potential threat of backlash against globalisation.

Growing regionalism

Promoting trade resilience through regional integration has been a noticeable trend in 2021. The African Continental Free Trade Area became effective from January 2021, and the RCEP also comes into effect from January 2022. While these are likely to boost intra-regional trade, experts have time and again highlighted that the benefits of trade diversion and trade creation will most likely remain skewed in favour of a few, rather powerful member countries.

India finds itself in a dichotomy between the urgent need to foster trade relations in an era of growing regionalism and treading cautiously on account of its prior experiences with trade agreements. Driven by both these considerations, India is engaging in negotiations with partner countries for enhancing market access. India has recently entered into an agreement with Mauritius, which is its first trade agreement with an African economy.

Besides, negotiations are also underway for an India-EU trade agreement and India-GCC trade agreement, as also for bilateral trade agreements with Israel and Thailand, among others. Going forward, trade deals with top markets such as the UK and the UAE, among others, are also expected to materialise. Trade agreements are therefore expected to increasingly gain salience in India's trade relations.

Logistics and export infra

Notwithstanding the remarkable recovery in global demand, logistics cost and container shortages marked a severe dent on the ability to cater to the demand and led to backlogs in supply. While several short-term measures have been taken by the government to alleviate the challenges associated

with container shortage, a long-term priority would be to boost the manufacturing of containers in the country.

Currently, container manufacturing is dominated by Chinese and Korean suppliers and building domestic capacities in this area would be crucial for achieving self-reliance.

The much-awaited logistics policy could also be a game-changer for Indian exporters, as reduced logistics cost could improve their export competitiveness. The policy needs to be complemented by efforts from State governments to strengthen export infrastructure. States need to enhance the utilisation of support provided under the Centre's Trade Infrastructure for Export Scheme (TIES) for strengthening export infrastructure.

As on March 12, 2021, only 18 States/UTs had projects approved under TIES. The States/UTs that have not availed support under the scheme account for more than one-third of India's merchandise exports. With improvement in export infrastructure, these States/UTs can further boost their exports.

The way ahead

With production likely to outpace consumption growth, commodity prices are expected to gradually ease during 2022. Consequently, exports of petroleum products, metals, and agri-products are likely to moderate, if the scale of exports volumes does not increase substantially to offset the decline in prices.

The growth momentum in exports from technology-intensive sectors is likely to be bolstered through the implementation of schemes such as the Production-linked incentive scheme. The likely extension of the Interest Equalisation Scheme for export credit would be a further boost to exporters. Going forward, strengthening export infrastructure through State-level participation, striking mutually beneficial trade agreements, and diversification of exports basket towards technology-intensive sectors would be the core motifs of India's export growth strategy.

Source: thehindubusinessline.com– Jan 04, 2022

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Govt making efforts to get duty concessions on textile via FTAs: Goyal

Union Minister Piyush Goyal on Tuesday said the government is making efforts towards gaining access to new markets and getting concessional duties on textile products through free-trade agreements.

Interacting with textiles associations, the Minister for Textiles and Commerce and Industry shared that in all the ongoing negotiations with major countries like the UK, the UAE, Canada, the European Union and Australia, there is a special focus on getting concessional duties for textile products.

Goyal also thanked the prime minister for the decision to defer the increase of GST slab from five per cent to 12 per cent for the textiles sector while addressing the All India Textiles Association, according to an official statement. "He added that the requests of industry stakeholders were considered in present challenging times when the sector is on the path of recovery.

"He also expressed his gratitude to the textiles leaders who remain connected with the ministry with all their grievances regarding raising the GST slab in MMF (manmade fibre) segment," the textiles ministry stated.

Referring to the production-linked incentives scheme for textiles, he said PLI will increase the global footprint of India in manmade fiber and technical textiles.

He added that the Rs 10,683-cr PLI scheme will create 7.5 lakhs direct jobs. Goyal also said approval for seven PM Mega Integrated Textile Region & Apparel (PM-MITRA) Parks will attract cutting-edge technology and investment, and generate around one lakh direct and two lakh indirect employment per park.

He added that textiles exports increased 45 per cent to USD 16.7 billion in April-November 2021 with respect to the same period in April-November 2019.

Source: business-standard.– Jan 05, 2022

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Middle-men, traders creating havoc by pushing up price of cotton: Exporters

Seeking immediate intervention of Union Textile Minister Piyush Goyal to protect the knitwear garment sector, Tirupur Exporters' Association (TEA) Monday accused middle-men and traders of creating a havoc by jacking up the price of cotton during the cotton arrival season.

In a letter to Goyal a copy of which was made available, the TEA said the 11 per cent total import duty existing on cotton has been the reason for the cartelisation of players to increase the domestic cotton prices and make an abnormal profit.

"Our apprehension is that the price hike of cotton does heavily impact the garment- exporting units and leads to loss of exports, including employment. Moreover, the sustainability of the MSME garment units will also be doubtful," TEA president Raja M Shanmugham said in the letter.

"Our main requisition is for removal of duty imposed on cotton immediately and also to protect the garment sector. Necessary steps have to be taken to break the cartelisation and also see the possibility of imposing ban on cotton exports," he said adding that industry was looking up to the Minister's attention and save the textile industry.

Thanking the Minister for addressing the requirements of the textile industry one by one and the positive measures have helped the industry enhance the performance in terms of growth and exports, TEA said the industry always supported the cotton-producing farmers getting better price for their produce as that would encourage them to continue to raise the crop and take the right scientific techniques to increase productivity.

Source: economictimes.com– Jan 04, 2022

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Restrictive GST rules take effect

The Commerce Ministry has let the exporters start the New Year in a better frame of mind. The last date for filing applications for duty credit scrips under the Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) is now extended till the end of January. Also, the applications for redemption of advance authorisations and issue of Export Obligation Discharge Certificates (EODC) can now be filed manually.

Many notifications have been issued under the Customs, Excise and Goods and Services Tax (GST) laws to align the entries with the new Harmonised System of Nomenclature (HSN) that came into effect from January 1.

The GST Council has decided to defer the hike in GST rates on specified textile materials from 5 per cent to 12 per cent. The Council has extended the tenure of the Group of Ministers on rate rationalisation and will review the matter in its next meeting. The decision follows representations from many states and textile industry associations regarding the compliance difficulties of small traders and higher prices to consumers.

Many changes in the GST laws have come into effect from the beginning of this year. The services provided by clubs and associations to its members will attract GST with retrospective effect since the introduction of GST on July 1, 2017. Input Tax Credit (ITC) can be taken only if the supplier has filed the GSTR-1 return for the relevant period and the auto-populated GSTR-2B statement shows the credit available.

The suppliers filing quarterly returns already have the facility to furnish invoice details. The credit of GST paid through reverse charge mechanism and on import of goods will be available. However, all conditions stipulated in Section 16(2) of the Central GST Act, 2017, should be satisfied for taking the ITC.

The taxpayers who do not file GSTR-3B return will not be able to file GSTR-1 return in the next month. The tax liability will be determined in accordance with GSTR-1 and if the amount in GSTR-3B happens to be less, it will be treated as shortfall in tax payment and recoveries will be made without issue of show cause notice. Henceforth, Aadhaar verification of specified functionaries and authorised signatories is mandatory.

In certain cases, any conclusion of proceedings against the main noticee will also result in conclusion of proceedings against co-notices. The last date for filing the annual returns GSTR-9 and GSTR-9C for the year 2020-21 has been extended till end February 2022. The services provided by e-commerce operators now attract 5 per cent GST.

Provisional attachment of properties, dues from creditors or bank accounts of taxable person or any person who causes to commit certain offenses can be made upon initiation of any proceedings (instead of only in cases of serious offenses). For violations of the provisions relating to e-way bills, the penalties go up steeply.

Appeals against penalties on e-way bill violations have to be accompanied with pre-deposit of 25 per cent of the penalty. In certain situations, proceedings for auction of confiscated goods and conveyance can be initiated. The GST administrators are now empowered to collect any GST related data from any person and use the information so gathered in any proceedings.

The government hopes for better compliance through such changes. However, many taxpayers are apprehensive that such deterrent measures and discretionary powers will make it difficult to do business.

Source: business-standard.com– Jan 03, 2022

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India's trade deficit could soon double to $200 billion, as domestic demand drives up imports

The unfavorable gap between India's imports and exports is expected to widen further in the current and the next financial year, with the trade deficit soon doubling to hit the $200 billion level. India reported record exports and imports trade deficit numbers for the month of December.

The record trade numbers in December were likely on the back of positive price effect, seasonal uptick, and buoyancy in global and domestic demand, according to a note from Kotak Securities.

The country's trade deficit is expected to widen to $190 billion in the current fiscal year 2021-22, and further to $200 billion in the next fiscal year 2022-23, according to Kotak Securities. This compares with the $102 billion deficit reported in the last financial year 2020-21. Analysts at brokerage firm Emkay Global Financial Services said that going ahead, factors such as the new global and domestic headwinds amid the new omicron variant and persistent supply constraints needs to be watched out for as they could slow the cyclical global recovery.

In terms of current account deficit (CAD) as a percentage of GDP, Kotak Securities sees CAD to be 1.7% of GDP for FY 2022 and 2023 while Emkay expects CAD-to-GDP at 1.7% in the current fiscal and at 1.8%+ in FY2023.

Analysts at Kotak Securities also said that the current account is likely to be balanced by strong net capital flow of around $81 billion, with contribution of about 32% from FPI flows as India is expected to be included in the global bond indices.

"We assume the announcements coming in early-2HFY23 after clarity on the related tax issue in the Finance Bill (in February-March) and settlement on Euroclear (assuming in 1HFY23)," analysts said.

India exported goods worth $37.3 billion in December, up 37% from a year earlier and 37.6% from the pre-pandemic level, Commerce Minister Piyush Goyal said this week. The merchandise exports hit $300 billion during April-December, a record for the first three quarters of any fiscal year to date.

Top large exports were petroleum products, engineering goods, and gems and jewelry. India's imported goods also hit a historical high rising 38.1% to $59.3 billion in December led by pickup in electronics imports and pearls, precious and semi-precious stones imports.

Source: financialexpress.com– Jan 05, 2022

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Indian textile industry impacted by high cotton prices: CITI

The skyrocketing cotton prices has stalled the growth of the textile industry in India, the Confederation of Indian Textile Industries (CITI), one of the leading industry chambers of the textile and clothing sector in the country, has said. The organisation has urged the Indian government to remove import duty on cotton to provide respite to the industry.

Currently, domestic cotton prices are ruling at a higher price compared to global markets. India's benchmark Shankar-6 cotton variety was traded at average price of ₹70,000 per candy (356 kg each) or ₹197 per kg in December, according to Fibre2Fashion's market analysis tool TexPro. In comparison, New York cotton was at US cent 113.63 per lb (₹187 per kg). However, the Cotlook A Index stood at US cent 125.85 per lb (₹207 per kg.)

The cotton price that prevailed at ₹35,000 per candy of 356 kg during September 2020, increased to ₹60,000 per candy in October 2021. In November 2021, the price varied between ₹64,500 per candy and ₹67,000 per candy, according to TexPro. The price of Gujarat Shankar-6 kapas (unginned cotton) is now ruling at ₹10,062 per quintal as against the Minimum Support Price (MSP) of ₹5,975/- per quintal.

During the last two cotton seasons, the Cotton Corporation of India (CCI) had procured around two crore bales under MSP. As the kapas price is ruling much higher than the MSP during the current season, CCI has not been able to procure any cotton this season.

The Indian cotton price was fluctuating in sync with the international cotton price (New York Index and Cotlook A Index) till February 2021. But post the Union Budget 2021-22, the Indian cotton price started ruling higher than the international price for the first time, making the exports uncompetitive resulting in hardships for the exporters in fulfilling the export commitments and taking further orders, CITI said in a press release.

It is because post the Budget there is approximately 11 per cent import duty on cotton, which includes a levy of 5 per cent basic customs duty (BCD), 5 per cent Agriculture Infrastructure & Development Cess (AIDC), and 10 per cent Social Welfare Cess.

In this context, CITI chairman T Rajkumar has made an appeal to Prime Minister Narendra Modi to remove the import duty levied on cotton immediately and help the highly labour and export intensive textile industry to gain global competitiveness and prevent the industry from crisis.

In a press release, Rajkumar reiterated the continuous plea made by the textile industry since February 2021 on removing the import duty on cotton, as the same had never affected the farmers as the industry had been predominantly importing speciality cotton including Extra Long Staple (ELS) cotton, contamination-free cotton, and sustainable cotton as the same are not produced in our country to fulfil the requirements of the nominated business customers on a long-term basis.

However, currently, as the kapas price is ruling at its highest in the history, farmers are not bringing the cotton to the market resulting in short supply and surge in kapas price. Rajkumar said that though the price increase is greatly benefitting the cotton farmers, the industry is not able to pass on the hike to the end customers as the domestic cotton price has exceeded the international price.

CITI chairman said that the highly capital-intensive spinning sector, though had been retaining the same yarn price for some time hoping for a reduction in cotton prices during peak arrival season, had to increase the yarn price gradually, as the good quality cotton has surpassed ₹73,000 per candy. He said that the spinning mills would have normally built three to four months of cotton stock by the end of December, but the steep increase in price has made the mills maintain less than one month of inventory.

Rajkumar also pointed out that the increased rainfall during cotton plucking time has seriously affected the quality causing an acute shortage of good quality cotton for the Indian exporters. He added that the Rd value, the cotton brightness indicator is around 65 as against over 70 during the earlier seasons.

In comparison to normal cotton arrival of 2.3 to 2.5 lakh bales per day during December and January, during the current season it is ranging between 1.62 to 1.8 lakhs per day. As on December 31, 2021, only around 121 lakhs bales had arrived in the market as against 170 to 200 lakhs bales that normally arrived in the market during the earlier seasons. This indicates a short supply of cotton for building good quality cotton inventory to meet the export quality requirements as the consumption for three months would be around 85 lakhs bales with around 10 lakh bales for export, around 15 lakhs bales for the work-in-progress of the agriculture market, ginning and transport resulting in lower cotton stock level in all the mills, Rajkumar said.

Source: fibre2fashion.com– Jan 05, 2022

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Strong demand for Indian apparels to further push exports, says trade body

Strong demand and healthy order books will further help in boosting the country's exports in the coming months, Apparel Export Promotion Council (AEPC) Chairman A Sakthivel said on Tuesday.

"We have a fast-growing order book from brands and buyers across the world...With the help of strong demand conditions, Indian apparel exports will see historic highs soon in the next coming months," he said in a statement.

Export of readymade garments saw an increase of 22 per cent to USD 1.46 billion in December 2021 from USD 1.20 billion in the same month of 2020. Total apparel exports stood at USD 11.13 billion during April-December 2021.

"Indian apparels have also bounced back. This is despite the fact that local restrictions impacted operations in the first quarter during the second wave of the pandemic. Apparel exporters have done exceedingly well in spite of challenges," Sakthivel said.

He added that two mega schemes that will help India reclaim its global leadership position in textiles and apparels are PLI (production linked incentive) and PM-MITRA (Mega Integrated Textile Region and Apparel).

Further, fast tracking of trade deals with the US, UK, EU and UAE will make Indian apparels far more attractive, Sakthivel added.

Source: financialexpress.com– Jan 04, 2022

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Banks report robust credit growth led by retail, SME segments

Private sector banks have registered robust credit growth by December end 2021 with continued demand from retail and SME segments.

Analysts believe that the loan growth has been aided by the festival demand and economic recovery but cautioned that growth in the corporate segment would remain soft. The rising Covid cases could also mute loan demand but its impact would be limited.

“There has been a recovery in loan growth this quarter, with several banks under our coverage indicating 4-5 per cent growth on sequential basis and mid-size banks like Bandhan and AU Small Finance Bank reporting even stronger traction.

This is driven by continued traction in retail, both secured and unsecured segments, revival in business banking and SME segments. Corporate space is lagging behind but we expect a revival by next fiscal in the segment as capacity utilisation continues to improve,” said Nitin Aggarwal, Senior Group Vice-President and Head, BFSI Research, Institutional Equities, Motilal Oswal Financial Services.

Loan growth

The banking sector will see an estimated loan growth at 7.7 per cent for this fiscal and 11.8 per cent next fiscal, according to Motilal Oswal Financial Services..

The rise in disbursements is also expected to boost third quarter profits for banks.

“There is some bit of uncertainty from the rising Covid cases and Omicron but we expect it to have a limited impact as hospitalisation is lower and the severity is milder,” he further said.

On Wednesday, private sector lender IndusInd Bank reported a 10 per cent growth in its net advances to ₹2.28-lakh crore as on December 31, 2021 compared to ₹ 2.07-lakh crore a year ago. Net advances grew three per cent on a sequential basis.

"Retail deposits and deposits from small business customers amounted to ₹1,13,615 crore as of December 31, 2021 as compared to ₹1,11,754 crore as of September 30, 2021," it said in a stock exchange filing on Wednesday.

Previously, the country's largest private sector lender HDFC Bank reported a 16.4 per cent year-on-year growth in advances to ₹12.6-lakh crore by December-end 2021 compared to ₹ 10.82-lakh crore a year ago.

It reported 13.5 per cent growth in retail loans over December 31, 2020 and registered the sharpest increase in commercial banking loans at 29.5 per cent over December 31, 2020.

Federal Bank also reported a 12 per cent growth in its gross advances to ₹1,43,633 crore as on December 31, 2021 versus ₹1,28,180 crore a year ago. YES Bank registered a 3.9 per cent year-on-year growth in net advances to ₹1,76,422 crore as on December 31, 2021. Gross retail advances in the third quarter of the fiscal was ₹ 9,233 crore for the lender compared to ₹7,470 crore a year ago.

A recent report by CareEdge said the outlook for bank credit growth is expected to be in the range of 8- per cent for 2021-22 with a low base effect, economic expansion, rise in government and private capex (specially, capex for renewables and production linked incentive schemes, extended ECLGS support (sanctions permitted till March 2022 and disbursements till June 2022), and retail credit push.

"The medium-term prospects look promising with diminished corporate stress and increased provisioning levels across banks. However, the new coronavirus variant (omicron) could dampen momentum if localised lockdown measures increase," it had further said.

Source: thehindubusinessline.com– Jan 05, 2022

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The limits of MSP

The year-long farm protests ended last month after the government got the three contentious farm laws repealed in Parliament. The government also agreed to look into the demand for legal backing of the minimum support price (MSP). It has reportedly asked farm groups to suggest names to be part of the panel to look into the issue.

The mandate of the panel would be fairly wide. The committee, aside from suggesting ways to make MSP more effective and transparent, will also be expected to look into natural farming, and changing crop patterns in a scientific manner in accordance with the changing needs. Clearly, the suggestions of the panel will be important for the farm sector.

The focus, however, will be on how the committee approaches the issue of MSP because of the existing conditions. The government announces MSPs for 23 crops but procures mainly wheat and rice in a select few states. At the aggregate level, the reach and impact of the government's intervention are fairly limited. As Ashok Gulati and Ranjana Roy showed in a recent article in The Indian Express — based on the Census and national accounts data — only about 5.6 per cent farmers benefit from MSPs.

In terms of the value of agricultural produce, only about 2.2 per benefit from the MSP system. The data based on the National Statistical Office's latest Situation Assessment of Agricultural Households report also shows that both the households and the value of output benefiting from the MSP system are fairly limited. Besides, the benefit is spread unevenly across the country. Farmers in Punjab and Haryana have benefited the most from the MSP system, though now it is being spread to some other states.

The given level and spread of the MSP system clearly indicate that the government cannot increase its scale significantly. It is already buying more than what it can distribute through the public distribution system.

It also does not have the fiscal capacity to provide guaranteed prices for all crops. Additionally, the expansion of MSP interventions will not allow the agricultural sector to adjust to the evolving demand conditions. The cycle of wheat and rice is becoming unsustainable, particularly in states like Punjab and Haryana.

Thus, the panel and the government will need to find other ways to support farmers. One option that has significant support is income transfer. The government is already transferring Rs 6,000 per year under PM-KISAN. It can increase the scale and scope of the programme to account for landholdings. Further, it can use cash transfers to incentivise farmers in water-stressed areas to move away from water-intensive crops. Ways will also have to be found to bring landless labourers and tenant farmers into the support system.

Aside from exploring ways to extend direct support, the government will need to continue to push farm reforms and strengthen the value chain. Despite rightly defending the repealed farm laws, the government is again resorting to steps like stockholding limits and banning futures trading to cool prices.

This clearly goes against the idea of increasing farm income and strengthening the agri value chain. The government should allow the market to function, which will enable farmers to adjust to demand conditions. The government will need a multi-pronged approach to address concerns in the farm sector. Guaranteed prices would only increase complications.

Source: business-standard.com– Jan 04, 2022

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SIMA urges Indian govt to remove 11% import duty on cotton

Amid several proactive policy initiatives taken by the Indian government to enhance the global competitiveness of textile industry, the levy of 5 per cent BCD, 5 per cent AIDC and 10 per cent social welfare cess on both totalling 11 per cent on cotton imports in the Union Budget 2021-22 is the only negative step, as per the Southern India Mills Association (SIMA).

The industry immediately pleaded the government to roll back the decision as it has been importing only 4 per cent to 5 per cent cotton. Occasionally, the industry opted for imports only during off season when there is a shortage, or the domestic cotton price is much higher than the international price. Thus, the industry had a level playing field. Therefore, the removal of 11 per cent import duty on cotton and cotton waste will not affect the Indian cotton farmers.

During the cotton season 2021-22, though the season started with comfortable opening stock of 75 lakh bales and estimated crop of 360 lakhs bales, the cotton prices started skyrocketing from the beginning of the season owing to the unprecedented volatility in the international cotton prices. There was a pent-up demand for the cotton in the post-COVID period. The US sanctions on Xinjian cotton that accounts for 10 per cent of the world cotton production and the commodity markets have fuelled the situation. The Indian Commodity Markets MCX and NCDEX dominated by the large traders are also fuelling the market.

Ravi Sam, chairman, SIMA, stated that the Indian cotton textile industry all along had home grown cotton advantage as the cotton would be cheaper by 5 per cent to 10 per cent during the cotton season (December to March) and remained globally competitive.

He said that the seed cotton price started surging from the beginning of the season. The average price of Gujarat Shankar-6 cotton that prevailed at ₹6,788 per quintal on October 1, 2021 has now increased to ₹8,930 while good quality kapas price has increased from ₹7,575 to ₹10,760.

Sam said that the New York Features price has always been higher than the Indian cotton price and for the first time, the Indian cotton price is ruling higher than the international cotton price consequent to the levy of import duty and curtailing the competitiveness of the exporters.

The Indian cotton price per kg is higher by ₹10 to ₹15 per kg for the last two months and the situation is likely to aggravate further. He added that the exporters are not able to confirm the export orders that they normally firm up during December-January and the orders are flowing to competing nations.

SIMA chairman also stated that quality cotton is not available in the market and the premium for the same is 5 per cent to 7 per cent higher and the mills are finding it difficult to procure cotton even for the day-to-day use, as the farmers anticipate further hike in cotton prices. He cautioned that the cotton textile value chain might come to a grinding halt in the coming months if the import duty on cotton is not removed immediately. He has added that MCX and NCDEX features also are aggravating the market.

Sam has pleaded the Prime Minister to intervene and remove the 11 per cent import duty on cotton and cotton waste and also remove cotton from MCX and NCDEX features as recently done for certain agricultural products to avoid further speculation.

Source: fibre2fashion.com– Jan 05, 2022

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Towards doubling farmers' income

Prime minister Narendra Modi had made a mention of his dream to see farmers' income double in 2022, on February 28,2016, while addressing a kisaan rally in Bareilly, Uttar Pradesh. The Ashok Dalwai Committee made it clear that the target of doubling farmers' incomes was in real terms and the goal was to be achieved over 7 years with the base year of 2015-16. The committee stated that a growth rate of 10.4% per annum would be required to double farmers' income.

The NSSO released the 77th round of its Situation Assessment Survey (2018-19)., Juxtaposing its findings against those of the SAS 2012-13, we see that the average agricultural household earned a monthly income of `6,426 and `10,218, respectively, in 2012-13 and 2018-19, in nominal terms.

In nominal terms, the compounded annual growth rate (CAGR) is 8.04%. When we used the GDP, CPI-Al and WPI deflators to convert the income in real terms, CAGRs of the real income of the farmers were found to be 4.1%, 3.1% and 6%, respectively. Hence, we chose to use WPI to convert the nominal income to real income, as this deflator has been used widely.

The NSSO estimates the farmers' household income in seven groups based on land size holdings in hectares, viz:(i) <0.01, (ii) 0.01-0.4, (iii) 0.41-1, (iv) 1.01-2, (v) 2.01-4., (vi) 4.01—10 and (vi) 10 above.The CAGRs of real incomes (deflated by WPI) are 14%, 8.3%, 6.5%, 5.6%, 5.3%, 4.3% and 4.6%, respectively, for the <0.01, 0.01-0.4, 0.41-1, 1.01-2, 2.01-4, 4.01—10 and 10 hectare and above landholding categories. As per the latest Agricultural Census, India has 14.65 crore agricultural households of which 10.03 crore belong to the first three categories—this means about 68% of the farmer population consists of marginal farmers. The average CAGR of the first three categories is 9.6%.

This growth rate is very close to the recommended growth rate of 10.45. At the state level, very high growth rates are observed in Uttarakhand (17.1 %), followed by Meghalaya (14.2 %), and Bihar (11.2 %). The highest share of total incomes among those who own <0.01, 0.01-0.4 and 0.41-1 hectare of land comes from wages/salary. The shares of wages/salary in income for these three classes of landholding are 57.4%, 59.7% and 45.6%, respectively, in 2018-19—as against 63.6%, 57.5% and 38.3% 2012-13. The share of income from animal farming is 18.6%, 15.4% and 15.6%, respectively, in 2018-19.

This should indicate a positive impact of the Mahatma Gandhi National Rural Employment Act (MGNREGA) on increasing farmers' income. This is the largest intervention in the wage/labour market.

Also, the National Livestock Mission (NLM), which was launched in 2014-15 by the government to enhance the breed development of farmed animals, the level of nutrition for livestock and provide extension services, has helped improve the standards of living of livestock farmers, especially the small - holders.

At a time when the government aims to double farmers' income in real terms, guaranteeing above 100 days work guarantees under the MGREGA and larger investment in the livestock sector would perhaps be the right approach.

Source: financialexpress.com– Jan 05, 2022

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Freight margins recover in December

Freight margins have shown some recovery in December as mining, steel and cement freight rates saw a healthy one-month increase in December, and fuel prices stabilised.

For December, CRISIL's freight index is back to festive levels seen in October, after the extended south-west monsoons negatively affected rates in November. With fuel prices stabilising, the uptick in business in mining, steel and cement is translating to an increase in margins.

During December 2021, the freight industry saw a margin (free cash flow) of 20 per cent, a five-point bump from November at 15 per cent. Margins in December were the highest since February 2021.

"Industries such as mining products (coal, iron ore, and limestone), cement and steel are seeing a sequential recovery as freight rates for these applications have improved by more than 5 per cent. A key driver for this improvement is the resumption in construction and mining activities, which were subdued in December after a slow November due to prolonged monsoon." said the CRISIL report.

"Discretionary goods such as automobiles and textiles also saw an improvement in freight rates. The improvement in auto carriers is driven by a slowly improving scenario in terms of vehicle dispatches (which has thus far been marred by supply issues), while that in textile is driven by restocking of inventory in December after festive buying seen in November." the report added.

Source: thehindubusinessline.com– Jan 04, 2022

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Weaving it right

The GST Council has done the right thing in referring rate rationalisation of the textiles sector to a panel of State finance ministers for deeper study. Textiles is a complex sector in India, with the entire value chain operating across the length and breadth of the country — from the production of cotton to the apparel stage, or from the production of petrochemicals such as PTA and MEG to synthetic fibre and clothes.

The manmade fibres (MMF) sector is faced with an inverted duty structure, with the GST rates on fibre, yarn and fabrics at 18 per cent and 12 per cent, while apparel priced below ₹1,000 is taxed at 5 per cent and those priced higher at 12 per cent.

In the case of cotton, the inverted duty problem does not exist; the fibre and yarn are taxed at 5 per cent, whereas the fabric is taxed at 5 per cent if priced below ₹1,000 and 12 per cent if above that rate.

In November, the Centre had sought to correct the inverted duty structure in the case of MMFs by raising all finished product rates to 12 per cent and flattening the raw materials prices to the same level (reducing the 18 per cent rate on fibre). Perhaps, in an effort to rationalise rates across the sector, the 5 per cent slab was sought to be removed in the case of cotton fabrics as well. This generated considerable confusion.

The rates on both raw material (MMFs) and fabric (cotton) would have been high at a time when input costs, both in terms of raw cotton and petrochemicals, are on the rise for a variety of reasons. The impact of a seven percentage point rise in fabric rates for low end products such as synthetic saris and other dresses in the MMF category, and hosiery items in the cotton category, can well be imagined.

The inverted duty structure problem in MMFs is best addressed by rationalising and lowering rates. That would keep India cost competitive as well. The stakeholders concerned should be clear on the objectives at hand and arrive at a consensus. It appears that in the guise of correcting rate anomalies, the Centre and States had an eye on raising revenues. This is a familiar error — of taking the short-term route to raise revenues through rate hikes.

A substantially higher rate of taxes on inputs and finished products will create the temptation to evade taxes. The reduction in GST rates on cotton fibre and yarn seems to have resulted in formalisation. This trend can well reverse if final product duties are raised. This also holds true for MMFs.

The ideal solution would perhaps be to keep all input and output rates at 5 per cent, while retaining the high-end fabrics at 12 per cent. This would be inflation-friendly and boost output, but perhaps would not be that acceptable to governments who are looking for a revenue boost.

Hence, the panel can consider a 'second best' proposal — a GST of 8 per cent across the board for both input and output that will curb prices without hurting volumes too much. This should, at best, be a temporary measure and the rate should eventually move to 5 per cent. Lower and fewer GST rates across and within sectors should be considered the ideal.

Source: thehindubusinessline.com– Jan 04, 2022

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Do lakhs of MSMEs no longer want benefits of MSME registration? Here's what govt data suggests

There are currently lakhs of enterprises in the MSME sector, considered the backbone of the Indian economy, that perhaps might not want benefits offered by the government to Udyam-registered MSMEs, according to experts. The inference was drawn based on the available data by the Ministry of MSME. Let's understand this below step-by-step:

There was a total of 21,96,902 enterprises that had filed for Entrepreneurs Memorandum (EM-II) between 2007 and 2015, as per data from the MSME Ministry's 2020-21 annual report. From September 2015 onwards, with the introduction of the new online registration portal called Udyog Aadhaar Memorandum (UAM), there were 1,02,32,451 (1.02 crore) registrations till June 30, 2020, when it was replaced with the latest portal Udyam Registration. India, otherwise, had 6.33 crore unincorporated MSMEs as per the National Sample Survey (NSS) 73rd round, conducted by National Sample Survey Office during 2015-16.

Former MSME Minister Nitin Gadkari had announced the revised guidelines on July 2 last year for MSMEs to reinstate retail trade (street vendors were also allowed to register) and wholesale trade under the MSME category. As of November 29, 5,33,404 registrations of retail and wholesale trades were recorded on the Udyam portal. This data was shared by MSME Minister Narayan Rane in Lok Sabha in reply to a question during the winter session.

The overall registration count on the Udyam portal was around 64.10 lakh as of December 31, 2021, which included retail trade and wholesale trade count. However, the share of new registrations, which could be new MSMEs altogether and/or those that were unregistered, and MSMEs switching from UAM or EM-II registrations on the Udyam portal, wasn't known.

Comments from MSME Ministry weren't immediately available for this story.

Importantly, the government had extended the validity of the EM-II and UAM registrations (obtained before June 30, 2020) from March 2021 to December 2021. The Reserve Bank of India (RBI) had clarified last year that existing EMs II and/or UAMs of MSMEs would remain valid till March 31, 2021, even as MSMEs were required to register on the Udyam portal before

March this year to avail various benefits by the government including incentives such as Priority Sector Lending.

"It is expected that existing EM Part-II and UAM holders would be able to migrate to the new system of Udyam Registration, which was launched on 1st July 2020, and would avail the benefits of government schemes, thereby paving the way for strengthening MSMEs and leading to their faster recovery, boost to their economic activity and creation of jobs," MSME ministry had said in a statement on the extension provided. However, it hadn't issued any notification or statement on further extension of the validity.

According to experts, if it is assumed that all 58.7 lakh Udyam portal registrations (retail and wholesale trade registrations excluded) as of December 31, 2021, were existing MSMEs that switched from EM-II/UAM registrations, it meant that 57 per cent (of over 1 crore MSMEs) had moved to Udyam portal while rest 43 per cent (43.55 lakh) hadn't registered. However, Udyam portal data likely included new registrations as well, hence, the share of existing MSMEs registering on the portal might be below 57 per cent.

"I believe sufficient time was given to businesses to get onto Udyam portal till December 2021. After all, it was the entrepreneurs' choice to register as MSME on the portal or not. If they didn't register despite benefits offered by the government then it suggests that they were not interested in it. On the other hand, it could also be a matter of duplicity in registrations under UAM/EM-II and hence the actual registrations on Udyam might be right. However, if we remove the duplicity issue, then it is a concern as to why those businesses have not registered. Benefits under Udyam portal might not be very effective for these enterprises and hence, they are comfortable with a regular business registration to operate," Anil Bhardwaj, Secretary-General, Federation of Indian MSMEs (FISME) told Financial Express Online.

Among overall benefits of registering on the Udyam portal also included freedom from renewal of registration, any number of activities including manufacturing or service could be added to one registration, MSMEs could register themselves on Government eMarketplace (GeM) and also simultaneously onboard TReDS platform. Registration was also intended to help MSMEs in availing benefits of government schemes such as Credit Guarantee Scheme, Public Procurement Policy, etc. MSMEs can register on

the portal free of cost and without any documents except their Permanent Account Number and Aadhaar details.

“There must be many new enterprises under the MSME ambit post revision of the MSME definition who didn’t register on the portal. MSMEs who didn’t register on the Udyam portal might not be considered MSMEs henceforth and would not be eligible for MSME benefits. However, MSMEs haven’t benefitted much from government sops. The biggest challenge for many MSMEs has been to raise collateral-free loans. Also, those who don’t want to sell to the government via public procurement, don’t have to register on the portal. Moreover, MSMEs have been wary of sharing investment and turnover details through the portal,” Mukesh Mohan Gupta, President, Chamber of Indian Micro, Small & Medium Enterprises (CIMSME) told Financial Express Online.

As of January 3, 2022, 60,65,339 were microenterprises registered on the Udyam portal followed by 3,14,332 small and 34,102 medium enterprises, data showed. However, it is important to note that the 64 lakh registrations came in 18 months (July 2020-December 2021) in comparison to over 1 crore UAM registrations that were recorded in nearly 5 years. “The pandemic has underscored the need to move to a digital platform. This move hasn’t been easy and a lot of adjustment has been required. For some MSMEs, this has become the only mode of surviving. We are getting a good response on the Udyam portal. If you look at the earlier model, it had taken around five years to reach 10 million (registrations), here in 14-15 months, we are reaching almost 6 million,” MSME secretary BB Swain had said at a virtual CII event in November last year.

“I don’t think MSMEs have stopped seeing the benefits of registering on the portal. With government schemes, they get preferential treatment. Also, it doesn’t seem enough time has been given for existing MSMEs to register on the Udyam portal. It is a remote possibility that MSMEs would not find it beneficial to register on the portal during the Covid period with multiple schemes offered by the government. The general feedback we have got from MSMEs is that they have found it useful. The government should do data mining on the reasons for such MSMEs who haven’t switched to the new portal,” Harjinder Kaur Talwar, Vice President, FICCI CMSME told Financial Express Online.

Source: thehindubusinessline.com– Jan 04, 2022

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ICRA hikes road logistics growth forecast to 16% from 9% in FY22

Buoyed by strong growth in freight volumes aided by accelerated pace of vaccinations, pent up demand and firm freight rates, the road logistics sector is expected to grow at 13-16 per cent in FY22 against the earlier projected 6-9 per cent, ratings agency ICRA said on Tuesday.

Maintaining a stable outlook for the sector, ICRA said that the optimism stems from a favourable scenario as most players reported strong growth in freight volumes on a sequential basis in Q2 FY22, with the momentum continuing in Q3 FY22. “Industry revenues reached multi-year high levels in Q2 FY22 with strong recovery in industrial activities. Monthly FASTag volumes ramped up to its highest level since the pandemic in October 2021, with declining Covid infections. The sector is likely to grow at 13 per cent-16 per cent in FY22 over FY21,” ICRA Ratings Sector Head Suprio Banerjee.

Omicron worry

Nevertheless, the Omicron variant is a key monitorable, given the sector’s vulnerability to economic activity on an aggregate basis. ICRA expects industry volumes to remain stable in FY23 as well, with expectation of steady business activities and formalisation of the sector, he added.

Medium term outlook

“Growth over the medium term will continue to be driven by demand from varied segments like e-commerce, FMCG, retail, chemicals, pharmaceuticals and industrial goods coupled with industry paradigm shift towards organised logistics players, post the GST and E-way bill implementation,” ICRA said.

“Furthermore, multi-modal offerings are likely to gain increased acceptance and traction going forward, given that players offering such services had more flexibility and hence, were better placed to service their customers during the lockdown phase. Given these factors, and the relatively higher financial flexibility available to large, organised players vis-à-vis their smaller counterparts, there is potential for increased formalisation in the sector, going forward,” Banerjee said.

Source: thehindubusinessline.com– Jan 04, 2022

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India's employment challenge

The unemployment rate rose to 7.9 per cent in December 2021. It was 7 per cent in November. A year ago, in December 2020, the unemployment rate was higher at 9.1 per cent. The unemployment rate in India is elevated compared to levels experienced in the recent past. In 2018-19, the unemployment rate was 6.3 per cent and in 2017-18 it was 4.7 per cent.

In each of the last three months – October, November and December 2021, the unemployment rate has been at 7 per cent or more. The unemployment rate during the quarter ended December 2021 was 7.6 per cent. It was 7.3 per cent in the preceding quarter that ended in September 2021.

An unemployment rate in excess of 7 per cent combined with an inflation rate of nearly 5 per cent when the stated policy is to target an inflation rate of 4 per cent makes India look like an economy suffering from both of what could be alternate evils. Inflation seems poised to rise in the short run but nothing seems to suggest that the unemployment rate would climb down commensurately. The near term economic outlook therefore looks worse than where India stands today.

Two other factors posture ominously. First, interest rates are rising even though the RBI has not raised policy rates. While bank lending rates seem to remain flat, market rates are rising. The base rate, weighted base rate or the MCLR (all reflections of bank lending rates) are all flat or falling in recent times. But, yields on AAA corporate bonds of different maturities have been rising. Banks are unlikely to keep interest rates where they are for long. In mid-December SBI raised its base rate for the first time in two years. Second, the rupee has been depreciating through most of 2021. By December 2021 at around 75.5 to a US dollar it had fallen by 3 per cent since January 2021.

A combination of tepid growth in domestic consumer demand and low capacity utilisation levels has already adversely impacted investments in India. Rising interest rates and a depreciating currency could make it worse.

Without new investments by large business entities India will not be able to generate the kind of employment it needs. Till investments in new enterprises don't pick up, employment growth will mostly be of poor quality. Investments into new infrastructure can create jobs in construction but not adequate stable middle-class salaried jobs.

Eighteen months after the Indian economy was battered by the Covid-19-induced lockdown, employment has not recovered to its pre-pandemic levels. In 2019-20, India employed 408.9 million.

Since then, India has only briefly employed about 406 million. India's working age population has increased but its employment has shrunk since the pandemic. But, this is not the only tragedy. The recovery has worsened the composition of employment in India.

In 2019-20, salaried employed people accounted for 21.2 per cent of all employed persons. In December 2021, they accounted for only 19 per cent.

In December 2021, employment was 406 million. This was 2.9 million less compared to the employment in 2019-20. The shortfall was not evenly spread at all. The biggest fall in employment was in salaried employees. This class saw a loss of 9.5 million jobs. Another 1 million jobs were lost among entrepreneurs. This massive 10.5 million loss of jobs was offset by gains in employment among daily wage labourers and more so among farmers.

An industry-wise break-up of the difference between employment in December 2021 and 2019-20 shows that the manufacturing sector has lost 9.8 million jobs. But, construction jobs increased by 3.8 million and agricultural jobs increased by 7.4 million. Services sector lost 1.8 million jobs. Within services industries, hotels and tourism lost 5 million jobs and education lost 4 million jobs but retail trade gained 7.8 million jobs.

With due respect to all kinds of labour it can be argued that manufacturing jobs are usually better quality jobs compared to construction and agricultural jobs. And, within services, employment in hotels and tourism or education is often of better quality than employment in retail trade which is mostly delivery agents.

India will be able to generate more better quality jobs only if employment is generated either directly in government or in large private enterprises.

The combination of rising inflation, rising interest rates and depreciating exchange rates along with poor growth in consumer demand, low consumer sentiments and low capacity utilisation do not help create the environment necessary to spur investments by large enterprises required to generate good quality jobs.

It is disappointing to see the sustained weakness in salaried jobs. These had risen to 84 million in September and October 2021 but have since fallen to 77 million in November and December 2021. In 2019-20, there were 86.6 million salaried jobs in India. In December2021, while India added 3.9 million jobs, it did not see any increase in salaried jobs. Agriculture shed employment in December and employment as daily wage labourers increased. There were large movements in the informal employment sectors. But, there was no movement in salaried jobs.

It is important to arrest the fall in salaried jobs and increase their share in total employment. A mere increase in employment, as it happened in December 2021, is not good enough.

Source: business-standard.com- Jan 03, 2022

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