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NEWS CLIPPINGS

	NATIONAL NEWS
1	India's exports grow 33.16% to $7.63 b during Jan 1-7
2	Piyush Goyal asks South Korea to axe non-tariff trade barriers
3	World Bank projects India's GDP growth at 8.3% for FY22, 8.7% for FY23
4	India's tariff gap has widened over China over two years on the trot
5	System loopholes may weaken organic exports
6	CBDT extends due dates for filing of Income Tax Returns and reports of audit
7	Zero-budget natural farming could lead to yield loss: Panel
8	Retail sales growth slows down in December
9	Fuelling GST reforms
10	How real is the GST boost?
11	E-way bill generation moderates

INTERNATIONAL NEWS

From Cotton to Containers, Supply Chain Prices Stay Inflated

Inflationary pressures are being felt on many aspects of the apparel and textile supply chain, from raw materials to shipping.

U.S. spot cotton prices averaged $1.11 per pound for the week ended Jan. 6, up from $1.09 per pound the previous week and from 75.34 cents a year earlier, according to the U.S. Department of Agriculture.

At the same time, Drewry's composite World Container Index (WCI) increased 1.1 percent to $9,408.81 per 40-foot container or equivalent unit (FEU) for the same period and was 80 percent higher than the same week in 2021.

"After a steady decrease in rates on transpacific lanes since mid-September 2021, we now see the rates increasing for the fifth consecutive week," Drewry said.

Freight rates from the key Shanghai to Los Angeles and Shanghai to New York routes gained 3 percent each to reach $10,520 and $13,518 per FEU, respectively. Rates from New York to Rotterdam surged 5 percent, or $57 to reach $1,244 per FEU.

However, rates from Los Angeles to Shanghai dipped 1 percent to reach $1,290 per FEU, while rates on Shanghai to Rotterdam, Holland, Rotterdam to Shanghai, Shanghai to Genoa, Italy, and Rotterdam to New York hovered around the previous week's level.

Drewry expects rates to climb higher in the coming week on account of Chinese New Year and the need for factories to push goods to port ahead of factory closures surrounding the holiday.

Meanwhile, the International Cotton Advisory Committee (ICAC) said in a year-end report that cotton prices are expected to remain at elevated levels throughout the 2021-2022 crop season. ICAC's current price forecast of the season-average A index, a composite of global spot cotton prices for 2021-22, ranges from 91 cents to $1.19, with a midpoint at $1.04 per pound.

Devine also cited India as being “the epicenter of the latest surge in prices,” with Indian values reaching record highs.

“There have been calls for the government to lift import duties, but the availability of foreign cotton that can be rapidly shipped may be in short supply,” he added.

Relief shouldn’t be expected from synthetic fibers, either. On the one hand, historically, when prices for cotton rise, so do the costs of other fibers. On the other hand, inputs for synthetic fibers such as petroleum, are also high.

The Producer Price Index (PPI) for U.S.-made synthetic fibers increased 24.7 percent for the year ended Nov. 30. The PPI for processed yarns and threads rose 28.9 percent in the same period, while the index for finished fabrics increased 13.4 percent.

Joel Prakken, chief U.S. economist and co-head of U.S. economics at IHS Markit, said in a report last week that IHS has revised its forecast U.S. gross domestic product (GDP) growth in 2022 down to 4.1 percent from 4.3 percent.

“We’ve revised up the forecast for CPI (Consumer Price Index) inflation in 2022 from 3.7 percent to 4.2 percent after which we expect inflation to subside close to the Fed’s long-run 2 percent objective,” Prakken said. “Beyond disruptions to travel and entertainment, the Omicron strain may pose wider risks to supply chains and hence inflation.”

Source: sourcingjournal.com– Jan 11, 2022

HOME

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World Bank Warns of Fleeting Economic Rebound

Signs of a global rebound from the pandemic-induced economic slump will prove to be fleeting, the World Bank warned Tuesday.

As surges of a new variant wreak fresh havoc on supply chains, intensifying logistical bottlenecks and exacerbating inflationary pressures, global growth is poised to decelerate "markedly" from 5.5 percent to 2021 to 4.1 percent in 2022 and 3.2 percent in 2023, the financial institution wrote in a report.

Compared with advanced economies, which are on track to return to business as usual by 2023, output in their emerging counterparts will remain 4 percent below pre-pandemic levels as lackluster healthcare systems, low vaccination rates, widening income losses and a reduction in government support fuel an increasing "divergence of fortunes," the World Bank said. Fragile and conflict-riddled economies will fare even worse, with their growth falling 7.5 percent short of before-Covid-19 trends, possibly igniting further social discontent among the most vulnerable.

"The Covid-19 crisis wiped out years of progress in poverty," David Malpass, president of the World Bank, wrote in the foreword. "As government's fiscal space has narrowed, many households in developing countries have suffered severe employment and earning losses—with women, the unskilled and informal workers hit the hardest."

Persistent supply-chain logjams have also dealt body blows to these countries, often the last in the global export line. With ports functioning below capacity, pandemic-related delays in orders for new vessels and containers stranded in the "wrong" ports, shipping costs and other hurdles have risen to "unprecedented levels," he said. Volatile commodity prices and extreme weather events triggered by climate change, too, are sending food insecurity into a downward spiral, placing a heavier toll on health and nutrition that can leave "lasting scars" across generations.

Already, manufacturing hubs such as India are struggling with labor shortages due to rising Covid-19 cases. Migrant workers that fled to their hometowns during the worst of the delta wave were slowly returning, leather goods exporters from Delhi, Mumbai and Kolkata told the Economic Times last week. But the flow has slowed as infections started ticking up again, leaving suppliers scrambling as they're inundated with orders from the West.

In Vietnam, garment makers are turning down export orders because of a mix of limited manpower and sky-rocketing freight costs. “Air freight is very expensive, but not all partners share this cost,” Tran Nhu Tung, chairman of Thanh Cong Textile Garment Investment Trading JSC in Ho Chi Minh City, told VnExpress last month. The company’s factory in the southern province of Vinh Long, which produces goods for Adidas, “does not dare” accept new work, he added. China’s zero tolerance for outbreaks is similarly disrupting trade, Grant Thornton analysts wrote in a note to clients earlier this month.

Progress in vaccinations, the World Bank noted, will be key to easing supply-chain disruptions caused by Covid-19 outbreaks. But equally important is the deployment of stronger debt-relief efforts, such as the recent replenishment of the International Development Association, the organization’s fund for the poorest nations, which pulled together $93 billion of financing from 48 high- and middle-income countries and the World Bank’s own contributions. Covid-19, the institution said, has pushed total global debt to its highest level in half a century.

Policymakers in the developing world also face critical longer-term challenges as they consider actions that can “prevent, prepare for and respond” to future crises. To “erase the scars of the pandemic,” any fiscal and monetary reforms must take into account not only investment and human capital but also income and gender inequality and the challenges of climate change, the World Bank added.

“The choices policymakers make in the next few years will decide the course of the next decade,” said Mari Pangestu, the World Bank’s managing director for development policy and partnerships. “The immediate priority should be to ensure that vaccines are deployed more widely and equitably so the pandemic can be brought under control.

But tackling reversals in development progress such as rising inequality will require sustained support. In a time of high debt, global cooperation will be essential to help expand the financial resources of developing economies so they can achieve green, resilient and inclusive development.”

Source: sourcingjournal.com– Jan 11, 2022

HOME

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Retail trade volume up by 1% in euro area, by 0.9% in EU

In November 2021, the seasonally adjusted volume of retail trade increased by 1 per cent in the euro area and by 0.9 per cent in the European Union (EU), compared with October 2021, according to estimates from Eurostat, the EU statistical office. In October 2021, the retail trade volume increased by 0.3 per cent in the euro area and by 0.4 per cent in the EU.

In November last year, the calendar adjusted retail sales index increased by 7.8 per cent in the euro area and by 7.9 per cent in the EU compared with the same month in 2020.

In the euro area in November 2021, the volume of retail trade increased by 1.6 compared with October for non-food products compared with the previous month. In the EU, the figure increased by 1.4 per cent for non-food products.

The highest monthly increases in the total retail trade volume were registered in Spain (+4.9 per cent), Luxembourg (+4 per cent) and Portugal (+2.8 per cent). The largest decreases were observed in Austria (-4.1 per cent), Latvia (-3.6 per cent) and Croatia (-3.1 per cent).

The euro area comprises Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

Source: fibre2fashion.com– Jan 12, 2022

HOME

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China, Cambodia to promote FTA implementation: Chinese ministry

China and Cambodia will promote implementation of their free trade agreement, which took effect on January 1, to benefit enterprises and people on both sides, according to the Chinese ministry of commerce. According to the agreement, both nations will eventually grant zero-tariff treatment to more than 90 per cent of imports from the other side.

The two nations will also strengthen cooperation in areas such as trade in services, investment, the Belt and Road Initiative, and e-commerce, the ministry said in an online statement.

Bilateral trade volume between both sides rose by 45.9 per cent to $10.98 billion in the first 10 months of last year, hitting the target of $10 billion, the ministry was quoted as saying by official Chinese media reports. The two countries had earlier committed to reaching the $10-billion threshold by 2023.

According to Lim Heng, vice president of the Cambodia Chamber of Commerce, bilateral trade will rise further and the variety of products Cambodia exports to China will increase.

The main products Cambodia exports to China's market are milled rice, cassava, fresh mango and banana, while it imports raw materials for garment production, building materials and vehicles.

Last year, Cambodian imports from China dropped by nearly 7 per cent as lockdowns forced the closure of the country's garment factories.

Source: fibre2fashion.com– Jan 11, 2022

HOME

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More policy measures needed to expand China's domestic demand: Experts

More policy measures to expand domestic demand are needed to strengthen China's economic recovery that gained momentum in December as signs of souring exports and employment situation emerge, according to experts. Though manufacturing activity accelerated in December, contraction in export orders and staff levels within the sector added a cautionary note.

Zhang Bin, a senior researcher at the Chinese Academy of Social Sciences' Institute of World Economics and Politics, said it is necessary for China to roll out a basket of policies to effectively boost domestic demand and counter the economic downward pressure posed by a lackluster property sector and a potential slowdown in export growth.

China's export growth, though expected to maintain some resiliency, may nevertheless decelerate this year as overseas demand softens amid the tapering of stimulus packages in major economies, underlining the necessity to bolster domestic demand in China, Zhang was quoted as saying by a government-controlled media outlet.

"It is sensible for China's central bank to reduce policy interest rates as soon as possible to boost market demand for investment and consumption," he said, adding that fiscal policy should become more proactive in spurring infrastructure investment.

Such measures will be key to helping the Chinese economy achieve a reasonable economic growth of about 5.5 per cent this year—a necessary level to sustain a stable employment situation, Zhang added.

Specifically, the Caixin China general manufacturing purchasing managers' index (PMI), a privately surveyed gauge of manufacturing activity, rose to a half-year high of 50.9 in December, versus 49.9 in November, indicating renewed growth momentum of the sector amid rising production and sales levels.

A PMI reading above 50 indicates expansion, while one below signals contraction.

However, the survey, released by Caixin media group, showed that the sector's workforce fell for the fifth month in a row in December at the fastest rate since February 2021, with company respondents citing that they were not particularly enthusiastic to fill vacancies left by staff resignations or retirements.

According to the National Bureau of Statistics, the official manufacturing PMI rose to 50.3 in December from 50.1 a month earlier due to raw material cost pressure and improving market demand. Yet the sector continued to see a contraction in new export orders and employment last month, the bureau said.

Source: fibre2fashion.com– Jan 11, 2022

HOME

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US' retail imports to return to normal in 2022: NRF

After a year of unprecedented increases, imports at the US' major retail container ports are expected to return to normal growth rates in 2022 but volumes will remain high, according to the monthly Global Port Tracker report by the National Retail Federation and Hackett Associates. Imports saw year-over-year growth as high as 65 per cent in some months during 2021.

High imports were the result of increased consumer demand, retailers' efforts to stock up to mitigate supply chain challenges, and comparisons against periods early in 2020 when many stores were closed because of the pandemic. But increases returned to single digits by last fall and should remain there this year. Nonetheless, volumes of about 2.2 million Twenty-Foot Equivalent Units (TEUs) or more expected during most months in the first half of 2022 will be near-records.

"Even with the holiday season behind us, supply chain challenges continue," NRF Vice President for Supply Chain and Customs Policy Jonathan Gold said. "The huge increases in imports we've seen have levelled out, but volume is still at high levels. We hope the system will find a way to catch up, but there is much that remains to be done to clear out port backlogs and increase capacity throughout the supply chain. Amid all of this, the omicron variant is a wild card that could not only impact the supply chain workforce but once again drive more imports if consumers stay home and spend their money on retail goods rather than going out."

"Economic indicators are giving us a paradoxical view of the direction of the US and global economies," Hackett Associates Founder Ben Hackett said. "The atmosphere of uncertainty is likely to have an impact on demand going forward. We are already seeing short-term growth rates declining, and we believe trade growth is returning to normal levels reflective of economic factors. We do not expect that double-digit expansion of import volumes will continue in 2022."

US ports covered by Global Port Tracker handled 2.11 million TEUs in November, the latest month for which final numbers are available. That was down 4.5 per cent from October but up 0.5 per cent year-over-year. Ports have not reported December numbers yet, but Global Port Tracker projected the month at 2.18 million TEUs, up 3.7 per cent year-over-year. A TEU is one 20-foot container or its equivalent.

Those numbers would bring 2021 to a total of 25.9 million TEU, a 17.9 per cent increase over 2020's record high of 22 million TEU that was set despite the pandemic, as per the report.

January is forecast at 2.23 million TEUs, up 8.6 per cent year-over-year; February at 1.95 million TEU, up 4.2 per cent year-over-year; March at 2.19 million, down 3.3 per cent; April at 2.2 million TEU, up 2.5 per cent, and May at 2.32 million TEU, down 0.5 per cent.

Source: fibre2fashion.com– Jan 11, 2022

HOME

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Australian retail sales up 7.3% in November 2021

The retail turnover in Australia has been recorded at a growth of 7.3 per cent in November 2021, seasonally adjusted, according to the retail trade figures released by the Australian Bureau of Statistics (ABS). This follows consecutive rises of 4.9 per cent in October 2021 and 1.3 per cent in September 2021 after a 1.7 per cent fall in August 2021.

Ben James, director of Quarterly Economy Wide Statistics, said the 7.3 per cent increase is the fourth strongest monthly rise in the series with retail sales now at their highest level ever recorded, up 5.8 per cent on the previous record set in November 2020.

“Further easing of COVID-19 restrictions in the South-Eastern states and territories has seen the retail industry recover all lost momentum caused by the Delta outbreak. Victoria recorded the largest state rise, up 20.0 per cent, reaching its highest level of the series. This follows the state’s lockdown ending in late October,” James explained.

Pent-up consumer demand combined with an extended November sales period saw record sales in clothing, footwear and personal accessory retailing (38.2 per cent), household goods retailing (11.6 per cent), department stores (26.0 per cent) and other retailing (7.3 per cent). Consumers brought forward Christmas spending to take advantage of sales and minimise delivery and stock availability concerns ahead of the festive season.

Aside from the Northern Territory, all remaining jurisdictions also recorded retail sales rises to record levels. Turnover in the Northern Territory fell 2.7 per cent as lockdown restrictions introduced throughout the month negatively impacted sales. Discretionary spending continued to be strong in November, with five retail industries seeing rises for the second consecutive month, ABS said in a press release. “Continued easing of COVID-19 restrictions, including less strict density and capacity limits, in New South Wales (5.1 per cent) and the Australian Capital Territory (19.2 per cent) led to rises in turnover to record levels,” added James.

Source: fibre2fashion.com– Jan 11, 2022

HOME

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Vietnam: Garment and textiles face reality of fierce global rivalry

The high growth rate in the fourth quarter helped Vietnam's garment and textile sector complete its export target of $39 billion, equivalent to 2019. But Le Tien Truong, chairman at the Vietnam National Textile and Garment Group, said that the growth of 11.2 per cent compared to 2020 does not indicate an "improvement in market share".

According to him, Vietnamese garment and textile groups "don't know what to do when the world stops and does not know what to do when the world trades again".

The Vietnam Textile and Apparel Association (Vitas) has developed three growth scenarios for 2022. The most positive scenario is to strive for an export turnover of up to $43.5 billion and the lowest would be a maximum of $39 billion.

Vu Duc Giang, chairman at Vitas, said that freight rates remain high, and there is a serious shortage of empty containers, and shopping demand could decline again if the pandemic continues to surge.

The cost of transporting goods by air has increased fourfold, from around $4,250 per tonne to $17,000, which "has become a huge challenge for textile enterprises," Giang said. A survey by the Research Centre for Employment Relations found that only 16.7 per cent of buyers agree to share air freight costs with businesses with long-term contracts. Factories that act as intermediaries have also difficulty communicating with buyers.

"Vietnam's garment and textile sector is facing severe competition to export to major markets, especially the EU and the United States," said Giang.

Currently, China, Bangladesh, Cambodia, and Pakistan are the main competitors of Vietnam in exporting textiles to the world. All have a more complete domestic supply chain than Vietnam. Giang also worries, "Labour costs in Vietnam will continue to rise due to an increase in the annual base salary and the new insurance policy."

Labour costs at garment companies in Bangladesh currently account for about 20 per cent of the cost of goods, while this figure in Vietnam is 26-30 per cent. Labour costs in Pakistan and Cambodia are also lower than in Vietnam.

According to the US Office of Textiles and Apparel, Bangladesh currently ranks third in exporting ready-made garments to the US, up about 27 per cent over the same period in 2020. China's exports to the States reached $16 billion with a growth rate of 25 per cent, followed by Vietnam and Indonesia at 14 and 10 per cent, respectively.

Many US importers are shifting towards suppliers from Vietnam's competitors after the production disruptions. The Bangladesh Knitwear Manufacturers and Exporters Association stated that garment exports to the US have continued to increase, with many buyers now turning to Bangladesh again.

Meanwhile, India is also rising, with self-sufficiency in input materials such as cotton and yarn, reasonable labour costs, and an efficient supply chain. The Indian government has set the goal of increasing its export turnover for the textile industry to $80 billion by the 2024-2025 period.

The Autonomous India programme and various other policies have come into play, helping the country's textile industry to recover quickly in 2021. In 2020, the pandemic caused that nation's textile and garment exports to decrease by 13 per cent compared to the previous year, only reaching $29 billion.

According to the Indian Textile Association, its government decided to extend tax and refund schemes for textiles until March 2024 and speed up the implementation of other preferential programmes to provide credit subsidies for capital in the textile sector.

Despite this harsh competition, Vietnamese garments and textiles could remain competitive if they make good use of existing advantages. For example, with the EU market, Vietnamese businesses could take advantage of the EU-Vietnam Free Trade Agreement to increase their market share.

But Vinatex's Truong believed that businesses must be cost-competitive compared to Bangladeshi products, which have lower prices, and offer faster delivery than Turkish products, as these are closer to the EU's border.

Vietnam annually exports about $5 billion to the EU, equivalent to about 2 per cent of the total import turnover of garments and textiles in that market.

The global garment and textile sector is focusing on more efficient models to establish flexible relationships, with responsive suppliers, while the environment remains a priority.

Source: vietnamnet.vn– Jan 10, 2022

HOME

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Bangladesh Bank foreign trade transaction policy support till Jun 30

Bangladesh Bank (BB) recently extended policy support for external trade transactions from December 31 last year to June 30 this year, considering the pandemic's impact on economic activities. A circular from the central bank said external trade activities of the country are found changing gears and the decision was taken to facilitate a smooth transition.

The usance period—the allowable period permitted by customs between the date of the bill and its payment—for import of industrial raw materials, including back-to-back imports and import of agricultural implements and chemical fertilizers under suppliers' or buyers' credit, can be extended up to 270 days. Earlier the bank has fixed it at 180 days for external trade transactions.

The notification also increased the Export Development Fund (EDF) loans' limit of $25 million to $30 million till June 30 for member factories of two garment sector trade bodies, according to Bangla media reports.

Businessmen in the sector say the policy assistance provided by Bangladesh Bank will ease foreign trade and help revive economic activities.

Source: fibre2fashion.com– Jan 11, 2022

HOME

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NATIONAL NEWS

India's exports grow 33.16% to $7.63 b during Jan 1-7

Commerce Ministry hopes to achieve the $400-billion export target for 2021-22

India's exports continued to grow steadily in the first week of January 2022, posting a 33.16 per cent increase (year-on-year) to $7.63 billion, per preliminary weekly data shared by the Commerce & Industry Ministry.

Exports, excluding petroleum, increased in this period by 24.97 per cent compared to the same period of 2020-21, indicating that export growth was experienced in a number of sectors.

In December 2021, exports recorded the highest ever monthly performance of $37.29 billion, posting a growth of 37 per cent over the same month of the previous fiscal. The top sectors were petroleum, gems & jewellery, engineering products, pharmaceuticals, chemicals and textiles registering lead.

India's imports, too, increased sharply by 38.06 per cent in December 2021 to $59.27 billion with trade deficit widening to $21.99 billion compared to $15.72 billion in December 2020.

Exports in the April-December 2021 period at $299.74 billion recorded a 48.85 per cent growth over exports in the same period of the previous fiscal.

The Commerce Ministry is positive about achieving the $400-billion export target set for 2021-22 although it is apprehensive that the fast spread of the Omicron variant of the Covid-19 virus could lead to problems related to shipping and container availability.

Source: thehindubusinessline.com– Jan 11, 2022

HOME

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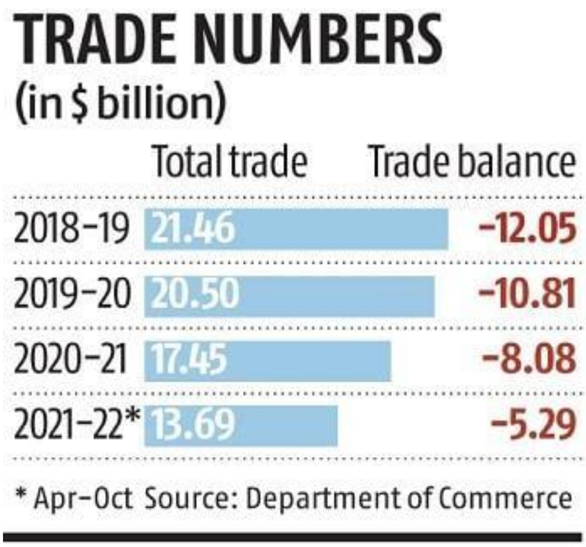
Piyush Goyal asks South Korea to axe non-tariff trade barriers

Commerce Minister Piyush Goyal met South Korean Trade Minister Yeo Han-koo on Tuesday and raised concerns regarding the non-tariff trade restrictions faced by Indian steel, rice, textile, engineering goods, mango, and pharmaceutical exporters, said officials aware of the matter.



The bilateral talk was held in New Delhi to discuss trade and investment-related issues. "The ministers agreed to impart fresh momentum to the discussions on the Comprehensive Economic Partnership Agreement (CEPA) upgradation negotiations and also promote extensive B2B interactions on trade and investment between the industry leaders of the two countries," an official statement said.

They agreed to address difficulties expressed by industry on both sides and instructed officials to meet on a regular basis to conclude the CEPA upgrade negotiations in a time-bound manner.

Officials said Goyal also pointed out concerns regarding the trade deficit, which is in favour of South Korea.

India's trade deficit with South Korea has continued to remain high over the last few years. Exports from India did not witness a massive rise, despite a free-trade agreement between the nations. On the other hand, imports from the East Asian nation continue to remain high. Both nations implemented the CEPA 11 years ago.

Trade between India and South Korea during April-October stood at $13.69 billion, with a trade deficit of $5.29 billion.

Source: business-standard.com– Jan 11, 2022

HOME

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World Bank projects India's GDP growth at 8.3% for FY22, 8.7% for FY23

The World Bank on Tuesday retained its FY22 growth forecast for India at 8.3 per cent but upgraded it to 8.7 per cent for FY23, from 7.5 per cent estimated earlier, citing improving growth prospects, especially a reviving private capex cycle.

“India’s economy is expected to grow by 8.3 per cent in the fiscal year ending March 2022, unchanged from the June 2021 outlook. The forecast for FY2022/23 and FY2023/24 for India has been upgraded to 8.7 per cent and 6.8 per cent, respectively, reflecting higher investment from the private sector and in infrastructure, and dividends from ongoing reforms,” it said in its latest Global Economic Prospects report.

The World Bank said the economic damage brought about by the second Covid wave in India has already been unwound, with output effectively returning to pre-pandemic levels. “Contact-intensive sectors, like trade and hotels, however, are still below pre-pandemic levels,” it said.

According to the government’s statistics department, the economy is expected to grow at 9.2 per cent in FY22, lower than the 9.5 per cent estimate by the International Monetary Fund as well as the Reserve Bank of India.

The World Bank said easing supply disruptions related to Covid-19 and deficient demand led to a return of inflation in India toward the central bank’s target in late-2021. “In most economies, monetary and fiscal policy are expected to remain broadly accommodative in 2022, but gradually shift to a focus on fiscal sustainability and anchoring inflation expectations,” it said.

The development organisation said global gross domestic product will probably increase 4.1 per cent in 2022, lower than a 4.3 per cent forecast in June.

By 2023, annual output is expected to remain below the pre-pandemic trend in all regions with emerging-market and developing economies, while in advanced economies, the gap is estimated to close, it said.

"There is there a serious slowdown underway," Ayhan Kose, the chief economist of the Prospects Group at the institution, told Bloomberg. The global economy "is basically on two different flight paths: advanced economies are flying high; emerging-market, developing economies are somewhat flying low and lagging behind".

The global outlook is clouded by what World Bank Group President David Malpass termed "exceptional uncertainty". Downside risks include renewed Covid-19 outbreaks, the possibility of de-anchored inflation expectations, and financial stress in a context of record-high debt levels.

In emerging markets with limited policy space to provide support, the risks heighten chances of a hard landing for their economies, the World Bank said.

Source: business-standard.com– Jan 11, 2022

HOME

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India's tariff gap has widened over China over two years on the trot

India’s tariffs have been increasing relative to China for two years straight leading up to the pandemic.

India’s average effectively applied tariff rate across all products was 10.21 per cent, compared to 5.39 per cent for China, shows data from the World Bank. Both countries have been bringing it down since the turn of the millennium. The last two years have shown a divergent trend for the last two years, ending 2019, for which data is available.

India recently raised the issue of China’s claim to easier norms as a developing country at the World Trade Organisation. It pointed out that China is now an upper-middle-income country. It was thus questionable to avail of benefits under the developing country tag.

China said that there was no uniform definition of developing countries. It considered itself still part of the group relative to its position behind the more developed nations of the world. China completed 20 years as a member of the World Trade Organisation in December.

Its per capita gross domestic product (in current US$ terms) has gone up from $1,053.1 in 2001 to $10,434.8 in 2020. India’s has gone up from $451.6 to $1927.7 in the same period. WTO Director-General Ngozi Okonjo-Iweala had said that global trade integration had helped drive China’s growth and development in a statement released to mark the 20th year of its becoming a WTO member.

A Business Standard analysis of global export numbers shows that China has been able to capture a larger share of global trade over the last twenty years. It now has the world’s largest share in export of goods and services. It overtook the United States of America in 2017. It accounted for a 10.6 per cent share in 2019 compared to 10.2 per cent for the US. China’s 2020 share rose to 12.1 per cent. The US share was down to 9.5 per cent.

China’s rising trade competitiveness has seen it maintain higher labour force participation than India over the last twenty years. China had a labour force participation rate of 76.66 per cent in 2001 which was higher than India’s 57.64 per cent.

China’s number for 2020 was 66.82 per cent compared to India’s 46.29 per cent. Labour force participation can improve with trade openness, according to a February 2019 paper entitled ‘The impact of trade openness on labour force participation rate’ from authors Seyed Ali Madanizadeh from Iran’s Sharif University of Technology and Hanifa Pilvar from the United Kingdom’s Queen Mary University of London.

“We find that 10 percentage point increase in tariff rate lowers the participation rate by 4–6 percentage point and this relationship is more severe in the long run. Finally, we show that changes in labour force population accounts for about 27% of changes in the unemployment rate following a trade liberalization,” it said.

The labour force participation rate showed the proportion of people aged 15 years and above who were economically active. A similar female estimate showed a slightly widening gap. China was 70.33 per cent compared to India’s 30.67 per cent in 2001. China’s number for 2019 was 60.57 per cent. It was 20.79 per cent for India.

Source: business-standard.com– Jan 12, 2022

HOME

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System loopholes may weaken organic exports

With the European Union blacklisting five Indian organic certification agencies and concerns being raised over the country's process, India's organic exports may not achieve a 10-fold increase in next five years unless the Union government takes stringent measures to ensure quality, according to experts.

According to a report by US Department of Agriculture (USDA), India's organic products market - food and beverages, health and wellness, beauty and personal care and textiles – are estimated to grow to $10.1 billion by 2026, s against $1.04 billion in 2020-21. However, challenges related to India's organic control system and increased incidences of fraud continue to impact the credibility of India's organic sector, and its exports, according to the report released in September 2021.

Problems aplenty

More than 50 per cent of organic exports from India go to the US. "We lost our organic recognition from USDA last year. In ethylene oxide (ETO) issue, five organic certification agencies from India were de-recognised by European Commission.

There are more problems in the store and it is a bellwether of India's organic agriculture," said S Chandrasekaran, a foreign trade analyst. Having a huge pool of localized agriculture graduates across the country, government should develop "competent person" model, using Skill India and Digital India, said Chandrasekaran.

"In the long-term, creation of a Natural and Organic Agriculture Promotion Board to perform focused and large scale activities should be the road map," he said.

The problem with regard to organic certification is that loopholes in the system are taken advantage of by unscrupulous elements.

This is one of the reason why some of the export consignments did not conform to ETO norms, resulting the EU issuing quite a few rapid alerts against Indian shipments.

Agricultural and Processed Food Products Export Development Authority (APEDA) in October last year had derecognised five firms by suspending accreditation to Aditi Organic Certification for a year and banning four others - CU Inspections India , ECOCERT India, Indian Organic Certification Agency (Indocert) and OneCert International - from registering any new organic processor or exporter for organic products certification.

Blockchain system

The action followed after some shipments cleared by them failed to meet the norms for ethylene oxide (ETO) presence, which was also flagged by the European Commission.

“The biggest challenge in organic products marketing is assured product integrity. Without traceability and use of blockchain technology it will be very difficult to win consumer confidence,” said Vijay Sardana, a food policy expert. All laboratories and certification companies must be part of blockchain system to avoid fake certificates and test report, Sardana said adding without tough measures, reliability cannot be ensured.

As many as 44 per cent (or 2.32 million) of the world’s certified organic farmers are from India, the highest in the world. Still, India’s total certified organic area is about 2.3 million hectares, as against world’s total area of 72.3 million hectares, according to USDA.

Source: thehindubusinessline.com– Jan 11, 2022

HOME

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CBDT extends due dates for filing of Income Tax Returns and reports of audit

No relief for salaried individuals

Businesses will get more time to file Income Tax Return for Assessment Year 2021-22 (AY22) as Central Board of Direct Taxes (CBDT) has decided to extend the due date.

However, there is no relief for individuals and entities, whose accounts need not to be audited as there is no extension of due date for these categories of assesses. Due date for these assesses was December 31.

“On consideration of difficulties reported by the taxpayers and other stakeholders due to Covid-19 and in electronic filing of various reports of audit under the provisions of the Income-tax Act,1961, the Central Board of Direct Taxes (CBDT), in exercise of its powers under Section 119 of the Act, provides relaxation,” the board said in a circular.

Accordingly, the due date of furnishing of Report of Audit for the Previous Year 2020-21 will now be February 15. Earlier, the extended due date was January 15. Similarly, the due date of furnishing of Report from an Accountant by persons entering into international transaction or specified domestic transaction has been extended to February 15 from January 31.

The due date of furnishing of Return of Income by the businesses for AY 22 will now be March 15 as against extended due date of February 15 and February 28.

Source: thehindubusinessline.com– Jan 11, 2022

HOME

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Zero-budget natural farming could lead to yield loss: Panel

Large scale adoption of Zero Budget Natural Farming (ZBNF) — farm practices which exclude all synthetic chemical inputs and promote use of on-farm biomass — would result in 'tremendous reduction' in production of agricultural crops thus comprising India's food security, an expert committee set up by Indian Council of Agricultural Research (ICAR) has stated.

ICAR had set up the committee in 2019 to empirically validate the results of ZBNF, which was promoted by Maharashtra-based Subhash Palekar and the farm practice was mentioned in two budget speeches of Finance Minister Nirmala Sitharaman in 2019-20 and 2020-21, where she referred to it as 'innovative model for doubling farmers' income'."There would be tremendous yield loss if ZBNF is adopted on a large scale which may compromise India's food security," V Praveen Rao, vice-chancellor, Professor Jayashankar Telangana State Agricultural University, chairman of the ICAR-appointed member committee, told FE.

The committee is likely to submit its report soon.While stressing for need to conduct long-term field trials on ZBNF, the 16-member committee consisting of agricultural scientists and farmers has suggested that future research on ZBNF should be carried out only in rainfed regions instead of irrigated zones which produce the biggest chunk of agricultural crops production in the country.

Agricultural scientists say that because of the Green Revolution initiated in early 1970s through introduction of high yielding seeds, application of chemical fertiliser and assured irrigation, India has emerged as one of the biggest producers of several agricultural crops such as rice, wheat, pulses and oilseeds. However, in the last four decades or so there has been gradual degradation of soil health because of excessive use of chemical fertiliser and pesticides.

In place of ZBNF, the ICAR committee has recommended adoption of an integrated production system through usage of farm practices such as conservation agriculture through usage of farmyard manure, inter-cropping, crop diversification and integrated nutrient management for improving soil health.According to Rao, the ICAR committee went through more than 1,400 scientific journals on various methods of promotion of sustainable agriculture besides interacting with farmers who have claimed to have adopted ZBNF across seven states.

The committee covered all the major crops such as rice, wheat, pulses, cotton and oilseeds in their assessments.Many of the elements of ZBNF such as name of Beejamrit (seed-microbial coating), Jeewamrit (soil-microbial enhancer), Waaphasa (soil-aeration), and Acchadana (Mulching), etc, are currently practised under the conservation agriculture.At present, Bhartiya Prakritik Krishi Padhati (BPKP), a sub scheme of Paramparagat Krishi Vikas Yojana (PKVY), is being implemented by ministry of agriculture and farmers welfare since 2020-21, which focuses on promoting traditional indigenous practices including ZBNF.

Under BPKP, an area of 4.09 lakh hectares has been covered.Agriculture minister Narendra Singh Tomar recently said that the Prime Minister Narendra Modi's vision to minimise the dependence of farmers on purchased inputs through ZBNF that reduces the cost of agriculture by relying on traditional field-based technologies which leads to improved soil health through natural farming should be fulfilled.Meanwhile, ICAR has decided to develop a curriculum in consultation with agriculture universities and subject experts for inclusion of ZBNF in the syllabus at both undergraduate and postgraduate levels.

Source: financialexpress.com– Jan 12, 2022

HOME

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Retail sales growth slows down in December

Retail sales growth witnessed a slowdown in the country in December compared to the pre-pandemic levels due to rising Covid cases. According to the monthly Retail Business Survey released by Retailers Association of India (RAI), retail sales grew by 7 per cent in December 2021 compared to December 2019 and 26 per cent compared to December 2020.

Kumar Rajagopalan, CEO, Retailers Association of India (RAI), said, “Retail business was on a steady growth trajectory during most of December, however, the pace of growth was seen dropping off significantly towards the last week of December due to fresh curbs imposed in most parts of the country owing to the third wave of the pandemic.”

While the overall growth was positive, some discretionary spends driven categories witnessed a de-growth compared to pre-pandemic levels. “Beauty, wellness & personal care (-7 per cent), furniture and furnishings (-5 per cent) slipped into the red once again as compared to the pre-pandemic sales in December 2019. Sales across consumer durables and electronics (26 per cent), sports goods (14 per cent), jewellery (9 per cent), footwear (7 per cent) and apparel & clothing (2 per cent) too started to lose steam,” the survey stated.

Retail sales growth in the southern region was estimated at 8 per cent in December 2021 compared to December 2019. At the same time, sales witnessed a growth of about 11 per cent in Northern region in December compared to pre-pandemic levels. Meanwhile, retail sales in the western and eastern region grew by 9 per cent and 3 per cent respectively in December, RAI stated.

The industry body has appealed to the Centre to instruct the State Governments to refrain from imposing restrictions based on positivity rate and consider hospitalisations as the criteria to determine the severity instead as most of the country’s population is vaccinated. “Doing so will avoid unnecessary panic among citizens and businesses while minimising the impact on livelihoods,” it added.

Source: thehindubusinessline.com– Jan 11, 2022

HOME

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Fuelling GST reforms

Considering the sheer volume of business transactions, matching of outward supplies by a supplier and the Input Tax Credit (ITC) claimed by the recipient is a daunting task. The government's attempts to usher in a seamless system remains elusive.

The latest change is making recipients eligible to claim ITC only if their suppliers file their monthly returns (GSTR-1) by the due date. In other words, recipients will get ITC only for those invoices the detail of which have been communicated to them through GSTR-2B. Further, there is already a requirement that suppliers should pay the taxes in order to make the recipients eligible for ITC, but the latter do not have any means to ensure compliance by the former.

New business practices should evolve whereby the recipients should come forward to pay their suppliers the GST charged by the suppliers, immediately, without availing themselves of any credit period for the same, so that the suppliers can pay their tax liabilities within the due date and file their returns. The recipients may avail themselves of the credit period only for the basic value of the supplies.

Like the provisions available in the MSME Act, mandating payment to MSME suppliers within a shorter time frame, a mandatory requirement of recipients paying their suppliers, the GST component, within 15th of the succeeding month may also be introduced. This will enable the suppliers discharge their GST liabilities on time and file their returns, so that their recipients can avail themselves of ITC without any hassles.

Karnataka HC ruling

Some goods that earn huge tax revenues for governments are often left out of tax reform measures. . The high decibel political rhetoric over bringing petrol and diesel into GST is often overshadowed by the economic reality. Liquor is another species that has escaped the GST quagmire.

Tobacco products are unique where phrases like "subsuming of taxes", "one nation, one tax" etc. are defiantly breached and both legacy taxes as well as GST are being levied on them simultaneously. This was challenged before the Karnataka High Court on various grounds, significant among them being, once GST is levied on an item under Article 246 A of the Constitution, no further taxes can be levied on it under Article 246 too, which falls foul of the Constitutional mandate behind the introduction of GST.

But the Court held that two levies can co-exist, if the legislative scheme decides so. In other words, the power to levy GST on supplies does not denude the government of its power to levy excise duties or any other surcharge (National Calamity Contingent Duty, in this case), subject to the legislative fields under the Seventh Schedule of the Constitution. Thus, the simultaneous levy of excise duties as well as GST on tobacco products has been upheld by the Karnataka High Court.

On petroleum products, currently, the excise duty levied by the Union Government and VAT levied by the State governments together is much higher than the maximum rate of GST, which is capped at 40 per cent, and that is the reason why petroleum products are kept outside the GST ambit. From time immemorial, the taxes paid on petroleum products are not allowed the benefit of input tax credit, leading to cascading effect of taxes, too.

Taking a cue from the decision of the Karnataka High Court, the government can think of simultaneously levying GST on petroleum products at a small percentage (with corresponding reduction in the excise duty and VAT rates to maintain the price at the same level) and also allow ITC of such small quantum of GST levied, across the board. This will pave the way for a slow and smooth transition of petroleum products before they are seamlessly absorbed in the GST mainstream, over a period.

Source: thehindubusinessline.com– Jan 11, 2022

HOME

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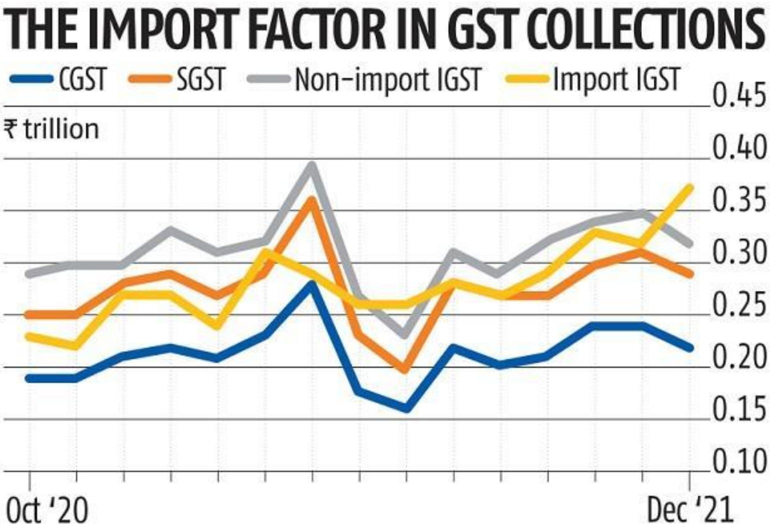
How real is the GST boost?

The Modi government is elated over the steady improvement in the collection of goods and services tax (GST) in recent months. Along with the sharp growth in collections of other Union taxes, GST collections have also crossed the Rs 1-trillion mark for each of the last six months beginning July 2021.

Indeed, barring the months of May and June 2020, when the second wave of Covid-19 had adversely impacted the pace of economic activities, the monthly GST collections have stayed above the Rs 1-trillion mark for the last 15 months. More recently, these collections have amounted to over Rs 1.3 trillion for each of the last three consecutive months of October to December, notching up growth rates of 13 to 26 per cent over the same months of 2020. Compared to the same months of 2019, the GST collections growth in October-December 2021 ranged between 26 and 37 per cent.



Apart from providing the much-needed revenue cushion to government finances, which are under stress because of a higher Covid-related expenditure commitment and a shortfall in disinvestment receipts during 2021-22, the buoyancy in GST collections is a relief for those preparing the Budget for next year. It is also seen as a sign of an economy that is bouncing back.

How justified is that perception? To answer this question, it will be important to understand the nature of the growth witnessed in GST collections in recent months. Identifying what factors could have contributed to this growth would help assess its sustainability in the coming months.

To begin with, let us look at the annual GST collections in the last three years. In 2018-19, total GST collections were estimated at Rs 11.75 trillion, with a share of 6.22 per cent in gross domestic product, or GDP, and the average monthly collections at Rs 0.98 trillion. This was an improvement over the average monthly collection rate of Rs 0.9 trillion in 2017-18 during the nine months since its launch in July 2017.

Covid-19 did not make a big impact on the pace of economic activity in 2019-20 as the lockdown was enforced only in the last week of March 2020. In a largely pre-pandemic year, total GST collections were estimated at only a slightly higher level of Rs 12.2 trillion with an average monthly rate of about Rs 1 trillion. But the GST collections' share in GDP in 2019-20 dropped to about 6 per cent.

The performance in 2020-21 was worse, thanks to the economic lockdown after the pandemic. Total GST collections fell to Rs 11.35 trillion at an average monthly rate of Rs 0.94 trillion, with their share in GDP further dropping to 5.75 per cent.

In the first nine months of 2021-22, total GST collections are estimated at Rs 10.68 trillion, raising average monthly collection to about Rs 1.2 trillion. With India facing the third wave of Covid-19, it is unlikely that the GST collections in the remaining three months would exceed the average level witnessed in the previous nine months. On that assumption, the full year's GST collections would be less than Rs 14.28 trillion or about 6.1 per cent of India's assumed GDP size.

Clearly, the share of GST collections in GDP is not a cause for any excitement. From 6.22 per cent of GDP in 2018-19, it fell for two consecutive years to 6 per cent in 2019-20 and 5.75 per cent in 2020-21. And now in 2021-22, it is expected to go up to 6.1 per cent of GDP. The ratio of GST to GDP is the true indicator of measuring how tax revenues have kept pace with the economy's growth. By that yardstick, there is no reason for any elation, even though in nominal terms the collections in 2021-22 could grow by about 25 per cent over the previous year with an improved buoyancy.

There is another way of looking at how the GST collections have fared in the last few years. GST collections take place under four broad categories: Central GST (CGST), State GST (SGST), Integrated GST (IGST) and Compensation Cess. The trajectory of growth in collections under these heads highlights the need for specific administrative as well as policy interventions in each of these areas.

In 2018-19, for instance, the collection under CGST used to be about Rs 17,000 crore every month on average. In the first nine months of 2021-22, this has gone up by 29 per cent to a monthly average of Rs 22,000 crore. However, SGST has recorded lower growth in this period of about 22 per cent from an average monthly collection of Rs 23,000 crore to Rs 28,000 crore. The state governments are responsible for collection of SGST, while the CGST is collected by the Centre. The slower growth in SGST could reflect the inefficient tax collection machinery that many states may be burdened with. This may require some attention from the tax administration point of view.

Far worse is the performance of IGST collection for inter-state supplies. Between 2018-19 and 2021-22, the monthly average figure moved up by just 19 per cent from Rs 26,000 crore in 2018-19 to Rs 31,000 crore. The problem here does not seem to be related to the collection system. IGST is collected by the Centre. Why then have IGST collections on inter-state-supplies seen a lower growth rate?

But in contrast, IGST for imports has increased by 25 per cent in this period from Rs 24,000 crore a month to Rs 30,000 crore a month. This raises a larger question of how IGST for imports has become the largest component in the total GST basket, at least in the last three months from October to December 2021.

Indeed, even as CGST, SGST and IGST for inter-state supplies either declined or plateaued in the October-December 2021 period, IGST for imports showed a steady rise. Perhaps a rise in India's imports, along with higher tariffs, has contributed to this growth in GST collections, particularly in the third quarter of 2021-22. The systemic ease with which taxes could be collected on imports at the port of entry into the country could also be responsible for the higher growth.

That leaves the compensation cess, whose average monthly collection has ranged between Rs 8,000 crore and Rs 9,000 crore in the last three years. The cess was levied for a fixed period of five years from July 2017 to compensate the states for their revenue loss after the GST rollout. The states have now asked for the continuation of the cess for another five years after June 2022. Given the states' fiscal stress, the demand for continuing the cess cannot be easily ignored by the Centre, even though the stagnation in its collection pace is a puzzle.

But the broad trends of the GST collections will make you wonder if indeed the biggest indirect tax reform in the country has led to a real improvement in revenues. With the GST collections' share in GDP in 2021-22 yet to go past the figure reached three years ago, questions are bound to be raised on the efficacy of recent tax administration reforms like tracking fake bills to prevent evasion. More importantly, the GST Council can no longer postpone the much-needed reforms in the tax rates by unifying them under two or three slabs. This might mean GST rates for several items would go up.

The Modi government so far has shown reluctance to raise tax rates, except in Customs. The time to consider a GST rate rationalisation to achieve an overall increase in effective rates has come.

Source: business-standard.com– Jan 12, 2022

HOME

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E-way bill generation moderates

E-way bill generations stood at 1.84 crore in the first nine days of January. Daily e-way bill generation under the goods and services tax (GST) system came in at 20.45 lakh for the first nine days of January, 11% lower than the daily average for December, reflecting a moderation in goods dispatches.

With Covid cases again surging after spread of the Omicron variant of the virus and restrictions imposed in many parts of the country, the shipments could get impacted in January.

E-way bill generations stood at 1.84 crore in the first nine days of January. The daily e-way generation rose 13% on month to 23.1 lakh in December compared with 20.38 lakh in November.

E-way bill generation was 7.16 crore for December, the second highest monthly data since the online system was rolled out on April 1, 2018, reflecting an uptick in demand during the year-end. E-way bills at 7.35 crore in October was the highest monthly data thanks to spurt in goods dispatches for stocking ahead of the festival season by shopkeepers and traders. E-way bills fell to a five month low in November as demand moderated after the festivities.

Higher e-way bills generation is reflected in higher GST revenues. Gross GST collections came in at about Rs 1.3 lakh crore in December (November transactions) despite 17% on month reduction in e-way bills generated in November due to improved tax compliance and better tax administration.

The January (December transactions) GST collections will likely be exceed December collections by a decent margin.

Source: financialexpress.com– Jan 11, 2022

HOME

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