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INTERNATIONAL NEWS

Annual inflation 5% in euro area, 5.3% in EU in Dec 2021

The euro area annual inflation rate was 5 per cent in December 2021, up from 4.9 per cent in November. A year earlier, it was minus 0.3 per cent. Annual inflation in the European Union (EU) was 5.3 per cent in December, up from 5.2 per cent in November.

A year earlier, it was 0.3 per cent, according to figures published by Eurostat, the EU statistical office.

The lowest annual rates were registered in Malta (2.6 per cent), Portugal (2.8 per cent) and Finland (3.2 per cent). The highest annual rates were recorded in Estonia (12 per cent), Lithuania (10.7 per cent) and Poland (8 per cent).

Compared with November, annual inflation fell in seven member states, remained stable in two and rose in eighteen, according to an official release.

In December, the highest contribution to the annual euro area inflation rate came from energy (+2.46 percentage points, pp), followed by services (+1.02 pp), non-energy industrial goods (+0.78 pp) and food, alcohol and tobacco (+0.71 pp).

Source: fibre2fashion.com– Jan 29, 2022

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Supply Chain Outlook: More of the Same?

There's no doubt that 2021 was a year of headwinds and obstacles, from rising raw material costs to spiraling freight expenses.

According to an expert panel at the virtual Texworld NYC show, the outlook for 2022 looks like more of the same, with concerns about inflation, continued supply chain disruptions and geopolitical turmoil.

"Just when I thought it was going to be a happy new year for most, it appears that the steamship lines and the logistics companies are going to be benefiting the most this year," Salvatore Stile, president of freight forwarder Alba Wheels Up, said.

Stile said as port congestion continued this year, it was further irritated by the Omicron surge that led to some dockworker and trucker shortages at key port like Long Beach and Los Angeles, but also overseas, especially in China.

"This is really a tough time to be an importer," he said. "We're predicting that the rates are going to stay the same or increase. A lot of steamship lines don't have new vessels coming on board until the latter part of 2013, so you have a capacity issue and a rate issue. I understand that a lot of the steamship lines are setting multiyear agreements with the largest importers able to obtain contract rates, which are going to be substantially higher than last year. These rates have to be passed on to the consumer."

Stile also said the upcoming Chinese New Year factory closures will have a substantial impact, as well.

"The big question is what's going to happen after Chinese New Year and how has Omicron has impacted these factories, and also, with the steamship lines, canceling a lot of the vessels to the U.S.." he said. "Where are the factories going to put these products that they have? It's going to come a point where the factory is going to have to stop producing goods as quickly as they do or totally until they can free up their warehouse space."

Another potential new hurdle this year is the dockworkers contract negotiations with the West Coast ports for a new collective bargaining agreement coming up on July 1.

Stephen Lamar, president and CEO of the American Apparel & Footwear Association, said in the best of times, a contract expiration has the potential to be "highly disruptive…and I can assure you, we are not in the best of times."

Issues likely to be top on the list, he noted, are automation and higher wages.

"These are workers that are really kept our economy going, supplying goods and so forth during the worst of Covid," Lamar said. "You can see they're going to be making this request, especially given some of the outrageous profits that we've seen some of the carriers post in recent years. We've asked the [Biden] administration to keep a close eye on these negotiations, making sure the parties come to the table immediately and that they stay at the table and negotiate."

Discussing the Uyghur Forced Labor Prevention Act just signed into law, Lamar said AAFA's member said have been focused for many years on making sure that forced labor doesn't reach their supply chain.

"Our members are constantly looking to use the best technology and practices to stay one step ahead of the those who are intent on profiting off forced labor," Lamar said. "We welcome the legislation…This was a very important opportunity for Congress to step in and say things have to be done better. It really takes this kind of this whole-world and whole-of-government approach to make sure that these are aligned and pointed in the right direction and we and they all work together."

Mark Cohen, director of retail studies and an adjunct professor at Columbia Business School, said the supply chain crisis was certainly brought on by the pandemic, with supply and demand thrown extremely off cycle.

"This is a crisis that could last for two or three or even more years and is contingent upon the scientists coming up with a universal vaccine," Cohen said.

He said it affects all aspect of the business world and society, and is exacerbated by "large numbers of people who refuse to be vaccinated and act as hosts for the virus."

Cohen said while overall, 2021 was a good year for some retailers because most were able to be to do business with customers because stores were still open and they were discounting merchandise that people desperately

wanted. The second half of the year turned out to be "a saving grace," for stores, he said, because people thought Covid was over and because "there was an enormous amount, billions of dollars, in liquidity the government had pumped into the economy."

Now, into 2022, there's a new variant pair raging across the country, flooding hospital with people who are not vaccinated and causing medical crises.

"It's causing logistics issues…it's causing enormous concern internationally," Cohen said. "What if China shuts down in a more comprehensive way as it did in 2020 and there isn't that flow of cash into the economy? That's largely over and done with. So, I would say we're looking at a couple of years of uncertainty."

As for inflation, Cohen noted that there have been such cycles before and "we shouldn't be surprised now. The laws of supply and demand are a irrefutable as the law gravity. Supply and demand affects prices…and we're going to have to live with inflation. It's going to be out there and retailers are going to have to figure out how to deal with it."

Lamar said one way to help consumers deal with inflation would be for President Biden to ease or get rid of the Section 301 tariffs on Chinese imports first imposed by the Trump administration and continued by Biden.

"These are tariffs that are paid by us consumers," he said, adding that the Congress' failure to renew the General System of Preferences (GSP), the removes tariffs on a range of goods for a host of counties, "may have come at the worst possible time."

"There's never a good time for those programs to expire, but at a time when we're dealing with all these epic freight costs and so on, there's no place for companies but to eventually pass along the costs except in the form of higher prices."

Panel moderator Edward Hertzman, executive vice president of Fairchild Media and founder and president of Sourcing Journal, noted there's been an acceleration of sourcing goods from so-called Tier 1 and Tier 2 countries as a way to get out of China.

"We've been focused on the Western Hemisphere trying to encourage more companies to examine nearshoring and to build up the region," Lamar said.

AAFA is part of the Coalition for Economic Partnerships in the Americas (CEPA), a new group of major American companies and manufacturers dedicated to promoting regional trade and job growth, launched last month.

CEPA aims to help create employment in sustainable, growing industries to realize an inclusive economic model that puts workers first, promotes women's empowerment and supports greener supply chains. The group will also continue and build partnerships with U.S. and regional companies to grow and realize the full potential of Central America's apparel industry, and establish incentives to diversify and grow supply chains with America's trading partners. It also wants to partner with technology and innovation leaders in the Americas and invest in cutting-edge innovation, flexibility, and scalability, and foster the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) to ensure it fulfills its purpose for investors, workers and communities.

With the all the uncertainty and concerns, Hertzman said "we have to remember that the fashion industry is very resilient."

"We seem to be an industry that's always faced with new obstacles and challenges," he added. "It's also an evolving industry and I think we have to remember number that we will get through this. I think it's going to be challenging and it's important that we can together in forums like this to discuss these challenges so that we all know what we have to deal with."

Source: sourcingjournal.com– Jan 28, 2022

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Chinese New Year Factory Closures to Bring More Supply Chain Disruption

More than two-thirds of respondents to a global survey conducted by logistics technology company Container xChange expect Chinese New Year factory closures to further disrupt container shipping supply chains.

Most respondents expect the February Lunar New Year holidays in China will result in delayed transit times and reduced availability of containers. This comes on top of continued backlogs at U.S. West Coast ports such as Long Beach and Los Angeles that have led to a shortage of shipping containers and slow deliveries.

“We always expect a spike in container shipping demand ahead of Lunar New Year holidays in China, as shippers look to ship cargo ahead of factory closures as workers in coastal areas return to families inland, often for extended periods,” said Dr. Johannes Schlingmeier, co-founder and CEO of Container xChange.“Even though it is unclear if China will allow millions of workers to travel for holidays this year due to strict Covid lockdown policies, shippers and forwarders are still expecting output from OEMs to decline significantly next month and are planning accordingly by shipping early. This is no doubt a factor in some of the spot freight rate increases out of China we have seen in January.”

The official public holiday for Chinese New Year only lasts a week and is scheduled this year for Jan. 31 to Feb. 6. However, in most previous years factory output in China has been impacted for far longer as many workers take extended holidays.

In addition, 53 percent of survey respondents said Chinese New Year would make existing ocean supply chains “even worse” and 60 percent said they had planned for Chinese New Year factory closures by ordering inventory earlier. Large numbers of respondents also said Lunar New Year would further delay container transit times, reduce the availability of containers and slots, increase container and freight costs and add to port congestion and delays.

Asked how they were planning for Chinese New Year factory closures by changing container sourcing strategies, 32 percent of respondents replied “nothing specific,” 25 percent said they would make use of shipper-owned Containers (SOC) and 24 percent said they would buy equipment.

Ahead of the Chinese New Year holidays, the average price of a 20-foot container in Shanghai increased to $2,767 this month from $2,718 in December 2021, according to Container xChange data. For a 40-feet high cube container, the average price rose to $6,030 from $5,918 in a month at the port of Shanghai. Prices have also increased month on month in Ningbo and Shenzhen.

“Predicting the impact of the Chinese New Year holidays in 2022 is rather more difficult than in previous years because China’s policies on internal travel are rather opaque,” Schlingmeier said. “Even if workers are allowed to travel home, it is unknown if they will need to quarantine before they can return to work.”

The start of the Beijing Winter Olympics in early February and the possibility of power cuts is further clouding the ability of manufacturers to predict output levels in February.

“There are a lot of uncertainties over the next few months,” he added. “One potential upside is that if we do have reduced output from China in February, this could allow container lines to get vessel schedules in slightly better order, which could improve the equipment availability situation globally and especially in China. The counterpoint to this is, of course, that we could see large backlogs of cargo building up in China, which could be a factor at the end of the first quarter and into Q2.”

Source: sourcingjournal.com– Jan 27, 2022

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Looking Ahead, Plenty to Worry About at the Ports

Much of last year was defined by struggles at sea and a backlog of vessels at the ports. Unfortunately, it doesn't appear relief is coming anytime soon.

Ocean schedule reliability across global trade lanes hit a record low of 32 percent to close out 2021, meaning only one in three vessels are arriving when expected, according to data from maritime trade advisory service Sea-Intelligence. These worldwide rates are down dramatically from nearly 80 percent reliability in June 2020.

But December 2021's record lows look even worse when accounting for certain individual trade routes from Asia to the U.S. West Coast, which has seen reliability rates plummet to just 10 percent. Cargo going from Asia to Northern Europe has fared better, but still poorly, at 23 percent.

In a recent webinar hosted by freight forwarder Flexport, Bjorn Vang Jensen, vice president of advisory services, global supply chain at Sea-Intelligence, put the situation bluntly: "I don't see anything that could in the short term bring these numbers up in any meaningful way."

The excess ocean freight has led to massive surge in blank sailings, with 32 percent of weekly ocean capacity blanked from Asia to the West Coast, according to Sea-Intelligence.

Chinese New Year, short staffing compound current concerns

And with production in China already negatively impacted by Covid-19 outbreaks that have hampered factories and ports alike, a new concern hits the supply chain. Chinese New Year is on the horizon, meaning that the countries' factories have already started closing for the public holiday.

"In the happiest of circumstances, you would see the normal seasonal slump after Chinese New Year. But even in that scenario, that would still mean that exports would stop out of China in the beginning of February, so this would only impact us a month or month-and-a-half down the line," said Lars Jensen, CEO of Vespucci Maritime. "[In the current scenario,] this will continue to get worse for a couple of months, then it will begin to taper off. That is assuming we get no curveballs, and in all likelihood, we very much will get more curveballs, starting with a high chance of shutting down the ports and terminals in China."

Adding to the problems, there simply is no added capacity when it comes to new available containers. The congestion at sea is reducing available 20-foot equivalent unit (TEU) container shipping capacity in the market by anywhere between 10 and 14 percent, or roughly the equivalent of the entire fleet of ocean carrier giants CMA CGM or COSCO disappearing, according to Vang Jensen.

The resurgence of Covid-19 in the form of the Omicron variant only contributed further to the bearish opinions of the two panelists, particularly in its impact on port operations. Citing a Wall Street Journal report, Vang Jensen noted that 1,700 dock workers at the Los Angeles and Long Beach ports have tested positive for the virus, which is more cases detected than all of 2021 combined.

And on the European front, Jensen highlighted that the Port of Rotterdam have approximately 15 percent of their staff out with Covid-19, while Antwerp has floated even higher totals between 40 and 50 percent.

Labor shortages can’t be ignored

Even as the Covid-19 concerns continue, easing any congestion at the West Coast ports still will come down to the human element and the roles workers play on land. Flexport tallied 108 vessels waiting at anchor at the Port of Los Angeles and the Port of Long Beach, with the ships waiting an average time to unload of 18 days. In total, when calculating both the number of total TEUs waiting at anchor (886,000) and dividing it by TEU port capacity per week (178,000), the two ports have a total of five weeks’ worth of backlog.

One of these elements is the trucker shortage, which is expected to increase to more than 100,000 by 2024, according to the American Trucking Association. Fewer trucks in circulation means there will be less pickups and likely a longer time between not just taking the carrier, but returning the empty one to the port.

“Just to make a ridiculous example, assume as of tomorrow, you’re going to pay the truck drivers half-a-million dollars per year,” Vang Jensen said. “I guarantee you won’t have a truck driver shortage. Part of the resolution in this is, everybody has to get used to the fact that the supply chain is going to be more expensive that we’ve been used to, both on the vessels and on the land side. That’s what’s actually going to solve the truck driver shortage. It’s supply and demand.”

The trucking industry isn't the only one stakeholders should be focused on, especially with an uncertain labor negotiation upcoming in July, when a contract between the International Longshore and Warehouse Union (ILWU) and the West Coast port operators is set to expire.

Jensen pointed out two instances where the two sides failed to reach an agreement, with the first in 2002 resulting in the complete shutdown of all West Coast terminals for 10 days, and a second in 2014-2015 that resulted in a pileup of 40 vessels outside the ports, "which was seen as a disaster at the time."

He anticipates a deal occurring despite likely theatrics that may take place ahead of the deadline, but it will be a more expensive one where costs are passed on to the shippers.

"The key bone of contention here is going to be over automation, which the union will fight tooth and nail against," Jensen said. "What we're likely going to end up with is a deal where there will be much higher salaries for the port workers. There will be more of an open door towards automation as long as it doesn't cost a single job."

The optics of a union "completely paralyzing" the West Coast ports would pose problems as well that make the negotiations more likely to be resolved, according to Sea-Intelligence's Vang Jensen.

"Even the cashier at the local supermarket is knowledgeable about supply chain issues when he explains to you that why something is not installed," said Vang Jensen. "The political pressure on them is going to be enormous."

"Data is the new oil" means everyone should "play ball"

Another factor holding back any improvements at the ports is there are too many cooks in the kitchen who aren't always working with the same interests at hand, whether it be railroad operators, truck drivers, dock workers, the terminal operators or the importers. Vang Jensen suggested that while a system that "incentivizes every single player to play ball" should be put in place, he acknowledged that this is a long-term concern that couldn't be solved in six months.

Vespucci's Jensen highlighted that the chief pain point is that these stakeholders don't have a centralized data hub, and still don't have any real interest in sharing what they currently have.

While the 21st century phrase “data is the new oil” has gained popularity in tech circles, he believes many supply chain stakeholders misinterpret it to mean they shouldn’t share the data with anyone unless they were paid to use it.

“That’s a complete misunderstanding because there is no value to anyone. It’s a matter of sharing all that data. The data is a new oil for those who are then very good at using the data. That’s what you need to compete on,” Jensen said. “You have to have full access to all information across all stakeholders.

Move the competition away from who is better at keeping the information hidden to who is better able to use the data. Right now, all anybody can do is to sub-optimize their own position, which looks great on their own KPIs, but it’s overall detrimental.”

Source: sourcingjournal.com– Jan 27, 2022

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US growth slows to 547-day low with worsened supply delays: IHS Markit

Rising cases of the novel coronavirus have brought the US economy to a near standstill at the beginning of this year, with businesses disrupted by worsening supply chain delays and staff shortages, and new restrictions to control the spread of the omicron variant adding to firms' headwinds, according to IHS Markit. However, there are some encouraging signals for the near-term outlook.

Adjusted for seasonal factors, the IHS Markit flash US composite purchasing managers’ index (PMI) output—covering both manufacturing and service sectors—posted 50.8 in January, down sharply from 57 in December. The resulting increase in activity was only marginal, and the smallest since July 2020.

The January flash PMI is therefore indicative of annualised gross domestic product (GDP) growth close to stalling at the start of 2022, representing a marked contract to the robust growth of 3.25-3.5 per cent signalled for the fourth quarter of 2021.

Both manufacturing and service sector firms in the United States reported near-stagnant output as the steep spike in virus cases associated with the omicron wave dented demand and meant ongoing supply issues and labour shortages were exacerbated by renewed pandemic related containment measures, IHS Markit said.

Although output was constricted by the omicron wave, demand growth remained somewhat more resilient. New orders for goods and services continued to rise strongly, albeit registering the weakest rise since December 2020.

The resulting gap between output and new orders was the second largest recorded by the survey to date, exceeded in the last 12 years only by the gap seen in October 2013, reflecting the near-unprecedented constraints on output recorded in January due to the flare up of COVID-19 cases and accompanying virus containment precautions.

However, prospects differ between the two major sectors of the economy. The upturn in new orders was supported primarily by the service sector, as manufacturers saw new sales growth held back by weaker demand from clients, often amid resistance to price rises.

Renewed restrictions in key export markets and raw material shortages also led to a softer upturn in new export orders. Thus, while inflows of new business into the service sector grew at a solid rate that was only slightly weaker than the average seen over the fourth quarter of last year, factory orders growth slowed to the weakest since July 2020.

Although demand growth at factories waned, the survey brought some encouraging news on the supply chain crunch, IHS Markit noted.. Although supply chain delays continued to prove a persistent drag on the pace of economic growth, linked to port congestion and shipping shortages, the overall rate of supply chain deterioration eased compared to that seen throughout much of the second half of last year.

Average supplier delivery times lengthened to a slightly greater degree than in December due to the Omicron impact, but the extent of delays remained far below that seen throughout much of the second half of 2021.

This trend of alleviating supply constraints has in turn helped lift manufacturing optimism about the year ahead to the highest for over a year, and has also helped bring the rate of raw material price inflation down.

The overall easing of input cost pressures in January therefore provides a tentative signal of a peaking in the annual rate of US consumer price inflation, though it is clear than the rate of inflation signalled remains elevated by historical standards, and far in excess of the Federal Reserve’s policy target.

There remain many uncertainties and potential headwinds, however, London-based IHS Markit noted. Although cost inflation has cooled, it remains highly elevated and is being supported by high wages and soaring energy costs, the latter having the potential to remain problematic in the face of rising geopolitical tensions. The impact of omicron on Asian supply chains is also not yet evident.

Source: fibre2fashion.com– Jan 29, 2022

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USA: Apparel, Footwear and Home Goods Sales Fell 6.2 Percent in December

Indicative of early holiday shopping and the impact of the Omicron surge, consumer spending on clothing and footwear fell a seasonally adjusted 6.2 percent to $476.48 billion in December, the second consecutive monthly decline after three months of increases, the Bureau of Economic Analysis (BEA) revealed Friday in its “Personal Income & Outlays” report.

Following a similar tract, spending on furnishings and durable household equipment also declined for the second straight month, falling 6.2 percent to $472.6 billion.

“The estimate for December personal income and outlays reflected the continued economic recovery and government response to the Covid-19 pandemic,” BEA said. “In December, Covid-19 cases resulted in continued restrictions and disruptions in the operations of establishments in some parts of the country. Government social benefits decreased, primarily reflecting the winding down of pandemic-related assistance programs.”

Overall personal consumption expenditures (PCE) decreased 0.6 percent, or $95.2 billion, in December. Real PCE, adjusted for inflation, was down 1 percent, with goods decreasing 3.1 percent, or $147.2 billion, and services increasing 0.1 percent, or $52 billion.

Within goods, decreases were widespread across most components and were led by recreational goods and vehicles and nondurable goods such as newspapers, household supplies, and games and toys, as well as furnishings and durable household equipment. Within services, the largest contributor to the increase was spending for health care.

The decline in spending was comparable to this month’s retail sales report from U.S. Census Bureau that saw a seasonally adjusted falloff of 1.9 percent from November to $626.8 billion, marking the first drop since July and largest dip since February.

Apparel and accessories sales decreased 3 percent for the month, while sales at department stores fell 7 percent. Online retailers saw sales fall 9 percent, while furniture and home furnishing sales were down 5.5 percent.

The PCE price index increased 0.4 percent, while the core index, excluding food and energy, rose 0.5 percent. The PCE price index for December increased 5.8 percent from one year ago, reflecting increases in goods and services. Energy prices jumped 29.9 percent, while food prices increased 5.7 percent. Excluding food and energy, the core price index for December increased 4.9 percent from one year ago.

Personal income increased 0.3 percent, or $70.7 billion, in December, as disposable personal income (DPI), a key barometer for retail spending, rose 0.2 percent, or $39.9 billion. Real DPI decreased 0.2 percent in December.

BEA said the increase in personal income primarily reflected an increase in compensation that was partly offset by a decrease in proprietors' income. Within compensation, the increase reflected increases in private and government wages and salaries. Government social benefits decreased slightly, reflecting the winding down of pandemic-related assistance programs.

Personal outlays decreased $93.5 billion in December. Personal saving was $1.44 trillion in December and the personal saving rate–personal saving as a percentage of disposable personal income–was 7.9 percent.

Source: sourcingjournal.com– Jan 28, 2022

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China's online retail sales of physical goods at 10.8 trn yuan in 2021

China's online retail sales of physical goods exceeded the 10-trillion-yuan ($1.58 trillion) threshold to hit 10.8 trillion yuan in 2021, according to its ministry of commerce (MOC), which recently said online retail sales in the country hit 13.1 trillion yuan last year. E-commerce in the services sector in China posted robust growth as well.

MOC spokesperson Gao Feng said online retail sales of physical goods accounted for 24.5 per cent of total retail sales of consumer goods and contributed 23.6 per cent of the growth of retail sales of consumer goods in 2021.

He said the steadily growing online retail market has become an important force keeping growth, employment and consumption stable, according to official media reports.

China's consumption market saw an upgrading trend last year, with healthy, green and high-quality goods increasingly favored by consumers, Gao added.

Source: fibre2fashion.com– Jan 29, 2022

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Philippines misses Jan 1 RCEP deadline; to conduct public hearing

The Philippines missed the January 1 effectivity of the Regional Comprehensive Economic Partnership (RCEP) as its senate went into recess without concurring the ratification of the deal. As foreign business chambers there have called for RCEP ratification, the senate concurrence faces stiff opposition by several groups, mostly agriculture and non-governmental organizations.

The Philippines senate will continue conducting public hearing this year on the RCEP issue. The country's participation under the actual RCEP trading environment will take effect 60 days from the deposit of instrument of ratification. The government said the delay is just for a few months.

The opposing groups, which think that the deal will result in further import surges, price depression and displacement of domestic production, have urged senators to reject the trade deal.

The Financial Executives Institute of the Philippines, Makati Business Club, Management Association of the Philippines and Philippine Council for Foreign Relations, however, urged the Philippine senate to approve the country's RCEP membership as they feel the agreement will offer a wide variety of economic benefits to the country.

"As such, it is a huge market that Filipino producers would gain preferential access to via membership in RCEP," the associations noted in a statement.

Emphasising that inclusion in the bloc might help attract more foreign investment, they also said RCEP presents certain risks to uncompetitive industries as well as individual producers and their workers.

"And like in the other free trade agreements the country has joined, the overall economic gains in terms of net job creation, economic growth and price stabilization will well outweigh the costs," the groups were quoted as saying by Philippines media reports.

Source: fibre2fashion.com– Jan 29, 2022

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Bangladesh: BTMA seeks 100% duty exemption for all types of fibres

The Bangladesh Textile Mills Association (BTMA) has sought 100% import duty exemption for any types of fibres as the global demand for diversified clothes has been on the rise.

"Nowadays, our foreign buyers specify fabrics and fibres for their ordered clothes. So, textile mills are importing many little-known fibres, apart from the traditional ones, as per their requirements," BTMA President Mohammad Ali Khokon wrote in a letter to the Ministry of Commerce recently.

It has also suggested increasing the wastage rate for producing yarn from raw cotton to 17% from the existing 10%

Although the government provides duty-free facilities in importing five types of traditional fibres – raw cotton, polyester staple, viscose staple, tensile and flux fibre – it is not well-informed about more than 20 non-traditional items.

"Even, the fibres are not on the customs schedule containing the Harmonised System (HS) codes (a standardised numerical method of classifying traded products). As a result, textile mills import the little-known items under HS codes for similar products. Unfortunately, the customs authorities sometimes identify such imports as false declarations and fine importers," Khokon said, adding that it was not the fault of importers.

He urged the government to take necessary steps for hassle-free imports and exempt duties on all the non-traditional fibres in a bid to promote diversification in the country's export basket and expand exports to new markets.

The popularity of the clothes made of non-conventional fibres would increase day by day as they are fashionable, diversified and cheaper, added the BTMA president.

Some of such fibres are: synthetic staple, linen, Lycra T-40, Remie, acrylic staple, cationic cotton, textured, metallic, pulled fibres and PCW.

The BTMA, in the letter, requested the ministry to brief the National Board of Revenue about the matter so that the revenue agency can consider the duties exemption in formulating the national budget of the upcoming fiscal (FY2022-23). The textile and clothing sectors are struggling to make their recovery from the Covid-induced fallouts.

In the next couple of years, the struggle would continue, the association expressed fear and said the next budget was crucial for their future.

The trade body of textile mills also requested the government to continue the 15% corporate tax rate facility until 2026 for the companies involved in the sector. The tax waiver is supposed to end in June this year, which the sector has been enjoying since 2019-20 fiscal.

The association said the reduced corporate tax rate helped them increase capital and continuing such a facility would also benefit the government in the long run. The trade body demanded reducing import-duties on textile parts to 1%, like capital machinery, from the existing 26-104%.

"It became tough to continue businesses competitively for the existing high import duties on instruments of the mills," the letter reads. The BTMA also demanded cutting down value-added tax on locally manufactured yarn to Tk3 per kg. Currently, it is Tk6 per kg.

Mentioning that the real wastage rates in yarn production were higher than government fixed rates, the organisation called for increasing the rates to 17% for the yarn for raw cotton, up from the existing 7-10%.

It suggested a 34% wastage rate for producing yarn for export purposes, which is currently 10-12%.

The government-set wastage rates were also higher in other supplier-countries competing with Bangladesh in export markets, the BTMA, in its letter, mentioned.

Besides, it proposed to consider the 0.50% deducted source tax as the textile companies' final settlement.

Source: tbsnews.net– Jan 25, 2022

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NATIONAL NEWS

India, UK conclude round one of free trade agreement negotiations

India and the United Kingdom on Friday concluded the first round of negotiation, as part of the free trade agreement (FTA) between the two nations, according to a statement.

The negotiations were held virtually for over weeks and saw the coming together of technical experts from both countries for discussions in 32 separate sessions covering 26 policy areas.

It included areas such as trade in goods and services—including financial services and telecommunications, investment, intellectual property, customs, sanitary and phytosanitary measures, technical barriers to trade, gender, sustainability, geographical indicators, among others.

The second round of negotiations is scheduled to take place from March 7-18.

"The negotiations reflected our ambition to secure a comprehensive deal to boost trade between the 5th and 6th largest economies in the world. The positive discussions in round one have laid the groundwork for the UK and India to make positive and efficient progress," the statement said.

Earlier this month, India and the UK formally launched negotiations for an FTA with an aim to first complete an interim agreement by mid-April and subsequently a comprehensive deal by the end of the year.

Source: business-standard.com– Jan 29, 2022

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Textile sector pitches for removing import duty on all varieties of cotton

Textile industry stakeholders, in a meeting with Union Finance Minister Nirmala Sitharaman on Thursday, pressed for removing import duty on all varieties of cotton or at least on extra-long staple (ELS) cotton to curb the rise in prices, and highlighted the issue of alleged hoarding by cotton players.

The price of one cotton candy (one candy = 356 kg) increased from around Rs 37,000 in 2020 to Rs 80,000 now. Normally, any increase in the price by Rs 1,000 per candy would lead to an increase of Rs 4 per kg of yarn.

Domestic raw cotton prices have moved up by almost 69 per cent between last January and this year while international prices have jumped by nearly 65 per cent during the same period. Other than the rise in cotton and yarn prices and futures trading, alleged cotton hoarding is what the industry is concerned about.

Industry groups and the government of Tamil Nadu had highlighted there was a shortage of around 80 million bales (one bale = 170 kg) in the market, which may be with either traders or farmers. The industry bodies sought Sitharaman's intervention in regulating the participation of multinationals in commodity exchanges, bringing out the cotton not found a place in the market, and allowing Cotton Corporation of India (CCI) to purchase cotton just above the minimum support price.

According to a source present in the meeting, the finance minister was not fully aware that CCI had not purchased any cotton this year so far. "For the removal of import duty, even on ELS cotton, the minister was found concerned as how it would impact the farmers. The minister, after hearing the views of the industry, advised sending a representation immediately for her consideration," said a source.

Confederation of Indian Textile Industries (CITI) Chairman T Rajkumar, Tamilnadu Spinning Mills Association Chief Advisor K Venkatachalam, and Feder-ation of Indian Export Organ-isations Chairman A Sakthivel were among those who represented the industry. There were representatives from the Tamil Nadu government also.

According to industry players, due to the imposition of import duty on cotton to the extent of 11 per cent, except by advance authorisation under the duty exemption scheme, cotton import is not possible. Therefore, much of the domestic operation is dependent on only local cotton. This makes the demand increase. Cotton is also being allowed to be listed for trading under MCX/National Commodity Clearing and due to this, a great level of speculation is happening and this also is one of the reasons for an unrealistic price rise for raw cotton, as most traders are trading on speculation.

Trade sources said another reason for the price rise was a mismatch between the production estimates of the government and crop output. The Centre estimates cotton production in 2021-22 at 36.25 million bales, while traders said it was around 33-34 million bales.

The Cotton Association of India (CAI) expects production to be around 34.8 million bales. Consumption this year is expected to be around 35 million bales, though some traders said it could be around 33.5 million bales.

If the consumption is estimated to be around 35 million bales and production at the lower end of the band, say, 33.5 million bales, the total cotton closing stock at the end of the current season is expected to be around 1.5 million bales, after accounting for 4 million bales of exports.

Source: business-standard.com– Jan 28, 2022

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Textile Ministry extends timeline for PLI scheme application to February 14

Expects the number of submissions to go up following the extension

The Textile Ministry has extended the timeline for applications for the Production Linked Investment scheme by two weeks to February 14, 2022.

“The Ministry expects the number of submissions to go up significantly following the extension of the timeline. Several investors have indicated their interest in applying for the scheme. They would be more comfortable with the additional time,” a person tracking the matter said.

Earlier, the final date of submission of online application under PLI scheme for textiles was January 31, 2022. Eligible applicants are to apply through the online mode only.

Promoting man-made fibres

The PLI scheme for textiles, which has been allocated a budgetary outlay of ₹10,683 crore, covers 40 MMF (man-made fibre) garment items, 14 MMF fabric items and 10 technical textile items.

The scheme aims to promote the manufacturing of MMF and technical textiles in India, which together contribute to an estimated two-thirds of international trade in textiles. India has been traditionally strong in cotton textiles but MMF manufacturing is still at a fledgling stage.

Benefits under the PLI scheme are to be provided for five years from 2025-26 to 2029-30 on incremental turnover achieved during 2024-25 to 2028-29.

Two-part scheme

The scheme is divided into two part. The first part requires investment of a minimum of ₹300 crore in plant, machinery and equipment while the second part requires a lower limit of ₹100 crore. Investors under part one and part two will earn incentives of 15 per cent of turnover and 11 per cent of turnover, respectively, in the first year.

Thereafter, the incentive earned will be one per cent lower every year for the next four years on achieving minimum turnover of ₹600 crore in the first year and incremental turnover of 25 per cent for investors under part one, and a minimum turnover of ₹200 crore in the first year and an incremental turnover of 25 per cent in the following four years for investors under part two.

Source: business-standard.com– Jan 28, 2022

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Supima cotton imports surge

Total textiles & apparel exports increased 41 per cent during April-Dec 2021

Import of top quality Supima cotton from the US has increased to 2,19,360 lakh US bales (of 480 pounds each) last against 1.74,822 bales logged in 2020, largely due to leading US brands shifting their garment sourcing to India from China.

Supply chain

The global textile supply chain has been focusing more on sustainability and traceability across the value chain.

Speaking at the recent industry event, Bruce Atherley, Executive Director, Cotton Council International said brands are increasingly becoming more responsible in their sourcing strategies as sustainability and transparency are no longer optional. Leading brands today are mapping their supply chains all the way back to spinning mills and are looking for supply chain partners they can trust. It is not just about cost, he added.

Peush Narang, CCI Country Representative - India and Sri Lanka said thanks to cotton the Indian industry stands at a critical point today and there has been a significant recovery in Indian textile industry.

"We are seeing increased traction for the US Cotton Trust Protocol, the US cotton industry's sustainability program and Cotton USA Solutions' technical consultancy program.

US cotton remains the most preferred fibre when it comes to the cotton imported in India," he added.

Cotton Council International, the export promotion arm of the National Cotton Council of America, is a non-profit trade association that promotes US cotton fiber and produces cotton products around the globe with COTTON USA trademark.

India’s textile exports

India’s textile exports have been booming on the back of increasing demand and government support. Between April and December, 2021 the total Textiles & Apparel including Handicrafts exports increased 41 per cent was $29.8 billion against $21.2 billion for the same period last year

Overall, textile sector’s exports, comprising textile, apparel, and handicraft, rose 15 per cent year-on-year during April-December. Cotton yarn, fabrics, made-ups and handloom products rose 43 per cent year-on-year during the period, and jute products exports increased 33 per cent.

Exports in December rose to a record 37 per cent year-on-year to $37 billion, the highest-ever monthly exports achieved, so far. Exports stood at over $27 billion logged in same period last year.

Source: thehindubusinessline.com– Jan 28, 2022

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Budget 2022: Textile industry seeks reduction in GST, scrapping of import duty on cotton

The COVID pandemic has altered the trade dynamics and also the pandemic has disrupted the global T&A supply chain with several apparel brands preferring more than one sourcing destination. Further, the US-China trade war and the subsequent imposition of additional duties and restrictions on Chinese Textile & Apparel imports have led to importers in USA scouting for other destinations such as India.

China plus One has led to higher duty on Chinese goods and tax advantages that have benefitted countries like India. India currently is benefitting in the Cotton + Cotton Yarn segment and in the Made-ups segment, and the segment exports for both are at an all-time high.

The Textile & Apparel industry believes that this is an opportune time to open up the industry more, provide some sops, and rationalize some of the taxes to help the industry grow and grab a higher market share in the global textile market. And keeping this objective in mind as well as the fact that the Textile sector is one of the significant employment generators, especially in the unorganized sector, as as well as export earner (2nd largest exporter), the industry is looking for a rollback of the higher GST back to 5% level from the proposed GST rate of 12% effective 1st January 2022.

The prices of cotton, the primary raw material, have skyrocketed and are causing margin pressure and a dent in profitability for companies and also reducing competitiveness in the global scenario.

The industry is expecting some cotton price stabilization scheme, interest subvention, reduction in margin money, and an increase in the working capital cycle from 3 to 6 months. The budget may also offer a reduction or scrapping of the import duty of 10% on cotton imports. The high prices of cotton, the major raw material was one of the major drivers of reduced exports last year.

India is one of the largest producers of Cotton and along with high-tech machinery and availability of skilled labour, can become a major exporter of apparel. Even it has the largest Yarn spinning capacity (20% of the world's capacity) and could easily outperform markets like Bangladesh, Vietnam, and Sri Lanka which have been dependent on the government's support.

India has a cost advantage in cheaper raw material availability of Cotton while Bangladesh enjoys lower labour rates and Vietnam enjoys lower lending rates and lower customs duties on machinery imported for the garment. In summation, the cost of production in India is competitive, however, the favourable treaties that Bangladesh and Vietnam (proposed) in the European Union market give them a cost advantage making Indian RMGs uncompetitive.

The Budget is also expected to announce some measures to simplify the clearance of import goods from FTA countries. We believe that the T&A industry is at an inflection point, and with Govt. budgetary support and the right policies, can become a major growth driver for the Indian economy.

Source: cnbctv18.com– Jan 28, 2022

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Appointment of Dr V Anantha Nageswaran as the Chief Economic Advisor

The Government has appointed Dr V. Anantha Nageswaran as the Chief Economic Advisor and today, he has assumed charge.

Prior to this appointment, Dr. Nageswaran has worked as a writer, author, teacher and consultant. He has taught at several business schools and institutes of management in India and in Singapore and has published extensively.

He was the Dean of the IFMR Graduate School of Business and a distinguished Visiting Professor of Economics at Krea University. He has also been a part-time member of the Economic Advisory Council to the Prime Minister of India from 2019 to 2021. He holds a Post-Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad and a doctoral degree from the University of Massachusetts in Amherst.

Source: pib.gov.in– Jan 28, 2022

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Finance Ministry allows two states to borrow additional Rs 7,309 crore

The finance ministry on Friday granted additional borrowing permission of Rs 7,309 crore to two states for undertaking stipulated power sector reforms. Rajasthan and Andhra Pradesh have been allowed to borrow additional Rs 5,186 crore and Rs 2,123 crore, respectively. “Department of Expenditure has granted additional borrowing permission of Rs. 7,309 crore to two States for undertaking the stipulated reforms in the power sector,” an official statement said.

The ministry, based on the recommendations of the 15th Finance Commission, has decided to grant additional borrowing space of up to 0.5 percent of the Gross State Domestic Product (GSDP) to the states every year for a four-year period from 2021-22 to 2024-25 based on reforms undertaken by them in the power sector. This will make available additional resources of more than Rs 1 lakh crore every year to the states.

The objectives of the additional borrowing permissions are to improve the operational and economic efficiency of the sector, and promote a sustained increase in paid electricity consumption, the statement added.

Apart from Rajasthan and Andhra Pradesh, nine states — Assam, Goa, Kerala, Manipur, Meghalaya, Odisha, Sikkim, Tamil Nadu and Uttar Pradesh — have also submitted their proposals to the Ministry of Power, which are under examination. Additional borrowing permission will be issued to eligible states on receipt of recommendation from the power ministry, the statement added.

Source: financialexpress.com– Jan 28, 2022

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Aiming to double India's share in Colombia's total apparel imports, says trade body

The Apparel Export Promotion Council (AEPC) on Friday said that domestic exporters should aim to increase India's share in Colombia's total apparel imports by focusing on high value added products. Speaking at an online event on 'India-Colombia Synergies in Apparel and Textiles', AEPC Chairman Narendra Goenka said that India's share is only 3.2 per cent in Colombia's global apparel imports.

"We are looking at escalating this to some respectable figure in double digits. We are focusing on higher value and specialised products like man-made fibre (MMF) apparels, medical and technical textiles," he said. According to the council, though there has been a fall in imports of readymade garments (RMG) in Colombia, Indian RMG exports have been able to maintain its share in the Colombian market.

While Colombia's RMG import from the world fell from USD 652 million in 2019 to USD 408 million in 2020, India's share in Colombia's total apparel imports remained the same at 3.2 per cent with USD 21 million in 2019 and USD 13 million in 2020, it said. Goenka said that the Indian apparel sector offers a large opportunity for investment.

"Colombian investors can also set up manufacturing facilities in India directly or through joint ventures, and partner with us in building R&D, innovation and incubation centres in India," he said. The textiles sector has attracted FDI worth USD 3.75 billion from April 2000 to March 2021.

Speaking at the event, Indian Ambassador to Colombia Sanjiv Ranjan said over a period of time, the popularity of Indian garments and textiles in Colombia has been increasing especially among women and this is an added advantage.

"Concerted efforts would be required to reach the pre-pandemic level of exports of about USD 22 million," he said. Cristhian Salamanca, Executive Director, Colombia-India Chamber of Commerce and Industry, said that Indian companies are reliable partners with the Colombian firms.

Source: financialexpress.com– Jan 28, 2022

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Forex reserves fall to USD 634.287 bln

FCA declined by USD 1.155 billion to USD 569.582 billion in the reporting week.

The country's foreign exchange reserves declined by USD 678 million to USD 634.287 billion in the week ended January 21, according to RBI data.

In the previous week ended January 14, the reserves had increased by USD 2.229 billion to USD 634.965 billion. It touched a lifetime high of USD 642.453 billion in the week ended September 3, 2021.

During the reporting week ended January 21, the dip in the reserves was on account of a drop in the Foreign Currency Assets (FCA), a major component of the overall reserves, as per the Reserve Bank of India's (RBI) weekly data released on Friday.

FCA declined by USD 1.155 billion to USD 569.582 billion in the reporting week.

Expressed in dollar terms, FCA include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Gold reserves increased by USD 567 million to USD 40.337 billion in the reporting week, the data showed.

The Special Drawing Rights (SDRs) with the International Monetary Fund (IMF) declined by USD 68 million to USD 19.152 billion.

The country's reserve position with the IMF also dipped by USD 22 million to USD 5.216 billion in the reporting week, the data showed.

Source: financialexpress.com– Jan 28, 2022

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JNPT handles record cargo of 5.63 Million TEUs in 2021

Jawaharlal Nehru Port Trust (JNPT), India's premier container port, continued its steady surge in cargo handling in 2021 with total container traffic of 5.63 million TEUs (5,631,949 TEUs) as against 4.47 million TEUs (4,474,878 TEUs) in 2020, growth of 25.86% over last calendar year. The total traffic of 76.14 million tonnes and container traffic of 5.63 million TEUs is the highest ever traffic handled in a year since the inception of the port. It is also the highest exim container traffic handled by any Port in India.

Nhava Sheva International Container Terminal (NSICT)N handled 1.17 Million TEUs (1,166,019) and Bharat Mumbai Container Terminals Private Limited (BMCT) handled 1.17 Million TEUs (1,170,502) during the year 2021, crossing 1 million TEU mark in a year for the first time. The container traffic handled at JNPT during the April to December 2021 of the financial year 2021-22 was 4,177,211 TEUs, which is 29.64% higher as against 3,222,093 TEUs of the container traffic in the same period of last year.

Congratulating the employees and stakeholders for their support in port performance, Shri Sanjay Sethi, Chairman, JNPT, said, this performance during the year inspite of the challenges of the pandemic is a testament to our commitment to fostering economic growth in India. As the world recovers from the pandemic and to meet the rising demand, the port has set out with the objective of being an end-to-end port operator for our stakeholders, ensuring timely and safe movement of their cargo by helping them optimize their logistical cost.

This year, JNPT commenced its trial operations on its newly dedicated berth for coastal shipping under the 'Sagarmala' program to provide an impetus for coastal cargo movement. At JNPT's state-of-the-art Centralized Parking Plaza, a Mobile App - JNP-CPP and eWallet was launched for users to have access to live data of CPP operations and foundation stone for setting-up a customs examination facility for factory sealed export containers was inaugurated within CPP. In a pivotal step towards streamlining the rail movement of EXIM cargo, JNPT commenced the dwarf container train service via double-stacked dwarf containers, giving the EXIM community a competitive cost advantage by lowering hinterland logistical costs while simultaneously enhancing rail-cargo traffic at JNPT.

Source: pib.gov.in– Jan 28, 2022

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