IBTEX No. 20 of 2022 January 31, 2022

US 75.02| EUR 83.60| GBP 100.64| JPY 0.65

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INTERNATIONAL NEWS

China manufacturing loses steam as growth risks mount

China's manufacturing sector expanded at a slower pace in January as a seasonal slowdown, Covid-19 outbreaks and a housing market drop dragged activity at small firms to the weakest since the depth of the pandemic.

The official manufacturing purchasing managers' index declined to 50.1, the National Bureau of Statistics said on Sunday, just above the median estimate of 50. The non-manufacturing gauge, which measures activity in the construction and services sectors, fell to 51.1, also marginally above the consensus forecast. The 50-mark separates expansion from contraction.

Chinese factories often see a production lull in January and February as workers head home for the Lunar New Year holidays. Activity has also been affected this year by the government's orders for steel plants to trim output to reduce air pollution ahead of the Winter Olympics in Beijing which begin Friday.

The disruptions add to the woes facing the Chinese economy, with home sales falling and consumption sluggish due to tightened restrictions to contain the spread of the highly-contagious omicron virus variant. Residents in places where there have been recent Covid-19 outbreaks, including Beijing, Shanghai and the northern port city of Tianjin, have been urged to not leave the cities unless necessary.

"Industrial activities slowed due to weak domestic demand," Zhiwei Zhang, chief economist at Pinpoint Asset Management Ltd, wrote in a note. "The slowdown is particularly severe for the small firms."

The PMI gauge of small companies dropped to 46 this month, the lowest since February 2020 and taking a contracting streak to a ninth month. That came as the indicator of large companies rose to 51.6, the highest in six months.

The Caixin Manufacturing Purchasing Managers' Index, also released on Sunday, fell to 49.1, the worst in almost two years. The private survey focuses on smaller, export-oriented firms compared with the official manufacturing PMI.

Manufacturers were also squeezed by higher costs, with input prices rising at the fastest rate in three months, according to the official data.

"That could drive the producer price index up and narrow the room for monetary policy," said Bruce Pang of China Renaissance Securities Hong Kong.

To spur growth, the central bank has cut key interest rates, lowered reserve requirements for lenders and vowed to open its toolbox wider, in response to top leaders' call for prioritising stability.

Still, a set of earliest available indicators tracked by Bloomberg sent mixed signals about the state of the economy in January, with the housing market and consumer spending staying weak and business confidence and stocks tumbling.

Construction activity continued to cool this month, with the sub-index falling to 55.4, NBS figures show, suggesting sentiment remained subdued given the property downturn and the limited effect that government spending on infrastructure is having so far. The approaching holiday and cold winter may have also had some impact on building.

The expansion of the service sector also cooled sharply to 50.3%, the lowest since August, according to the data, as activity in railway and road transportation, accommodation, and capital market services contracted.

"The weak PMI indicates the policy easing measures from the government have not yet been passed to the real economy," according to Pinpoint's Zhang. "We expect the government will step up policy supports in coming months, particularly through more fiscal spending."

Source: gulf-times.com– Jan 30, 2022

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Port congestion in Europe, US prevents supply chain recovery: Report

Containers are now moving in and out of China at record speeds as shippers desperately source capacity, but port congestion in Europe and the United States continues to slow the return of boxes to Asia and is stymying the recovery of global ocean supply chains, according to a joint report by Hamburg-based logistics technology company Container xChange and applied research organisation Fraunhofer-CML.

As the rush to get exports to buyers soared last year, the average median time containers spent in Chinese depots dropped to just five days, down from 61 days in 2020. China was not alone among leading exporters in seeing rapid box turnarounds last year. Vietnam, Singapore, Thailand and Indonesia recorded average median times that containers spent in depots of nine, 11, 16 and 19 days respectively, Container xChange said in a note.

"Once containers reach Asia, they are being redeployed at record speeds. However, the mismatch between supply and demand at many origin ports, including in China, means it is hard for US and European importers to always secure boxes unless they have planned ahead, or are working closely with their box supplier, forwarder or container line, to ensure they have both a vessel slot and a container available in advance," commented Johannes Schlingmeier, co-founder and chief executive officer, Container xChange.

By contrast, severe congestion in many destination ports saw container dwell times at depots reach near-record levels in 2021. The worst performing countries in terms of the average median time containers spent in depots in 2021 were the United States. and the United Kingdom, which suffered average dwell times of 50 and 51 days respectively.

The next worst performers were South Africa (47 days), the United Arab Emirates (40 days), Pakistan (31 days) and Germany (25 days).

The study found that in the United States, the second-worst performer in terms of the average median time containers spent in depots in 2021, performance varied hugely by port.

Source: fibre2fashion.com– Jan 31, 2022

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German economy shows resilience at 2022 beginning: IHS Markit

January's flash purchasing managers' index (PMI) data from IHS Markit indicated an upturn in business activity in Germany, led by a stronger performance from its manufacturing sector as supply bottlenecks showed further tentative signs of easing. Price pressures remained elevated, however, with the rates input cost and output charge inflation staying close to recent record highs.

January saw the headline flash Germany PMI composite output index tick up to 54.3 from December's 18-month low of 49.9, to signal solid growth in business activity across the private sector after a slowdown at the end of 2021, IHS Markit said in a release.

The upturn was led by the manufacturing sector, which recorded its strongest performance on the production front for five months as the incidence of lengthening lead times on inputs eased to the lowest since December 2020 (although it remained high by historical standards).

After contracting in December, as activity was hit by a resurgence in the pandemic and the initial retightening of restrictions, the service sector staged a slight recovery in January. At 52.2, up from 48.7, the services business activity index was indicative of a modest rate of growth, though it was still at its second-lowest level in the past nine months.

The goods-producing sector drove a renewed increase in new orders at the start of the year. Overall inflows of new business showed the strongest rise since last September as manufacturing order books expanded markedly and to the greatest extent for five months.

There was a slightly better month of new business across the services sector as well, with demand improving somewhat after falling in each of the previous two months. New export business received by services firms continued to fall, however, hinting that the upturn here was driven by the domestic market.

Source: fibre2fashion.com– Jan 31, 2022

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Bangladesh: Textile millers oppose plan for gas price hike

Textile millers have urged the government not to raise the gas prices, saying it will raise production cost.

They urged the government to address the nagging gas crisis through raising local productions.

Bangladesh Textile Mills Association, a representative body of the local textile mills, made the call while addressing a press conference at a hotel in the city on Saturday.

"If the gas prices are raised further, it will have a big impact on the local textile manufacturers which have been supplying backward linkages to the export oriented readymade garment (RMG) industries," said BTMA president Mohammad Ali Khokon.

He claimed that if gas prices are raised, it will escalate their production cost by 25 percent which will make the local textiles non-competitive in the global market.

He alleged that currently local textile millers have been experiencing a severe gas crisis which pushed them to halt their productions.

"Due to the gas crisis for the last three months, we apprehend, textile productions will incur a loss of $1.5 billion in their supply to the local market while $2 billion for the export market—the RMG sector", he added.

The BTMA also demanded a long term energy policy of 5 years from the government so that they could design a long term plan in their production on the basis of that policy. "We want a business-friendly energy policy," said Khokon.

BTMA Vice Presidents Fazlul Hoque and Abdullah Al Mamun, directors Md Mosharaf Hossain and Saleudh Zaman Khan were also present at the press conference.

Khokon alleged that Titas Gas, despite being profitable according to its balance sheet's figure, has moved a proposal to the Bangladesh Energy Regulatory Commission to raise gas price which is totally unfair.

He said only 8 percent of the Titas Gas company's share is held by the public while remaining 92 percent by the state.

But Titas gas is desperate to raise gas prices in order to protect the 8 percent public shareholders interest, he alleged.

The BTMA president said that they have to operate captive power plants having 1700 MW capacity to ensure uninterrupted power supply to their mills against the backdrop of the failure of the authorities concerned to ensure smooth supply.

He said currently textile mills have to pay Tk 13.85 per unit of gas which was last raised in 2019.
The BTMA leaders said they have been facing a severe crisis in the last two years due to the Covid-19 situation.

They said that in the year 2020 they could not do business . "In 2021 we had to go through a recovery process and we are planning this year to make profit. The move to raise gas prices will come as a big blow to this plan", said the BTMA president.

Referring to the experts view, he said the current gas crisis could be managed through increasing local production by installing compressors at the gas fields.

Khokon also demanded installation of Electrical Volume Corrector (EVC) gas meters at the textile mills to ensure proper billing.

Textile mills have to pay a higher price than that of their consumption due to the non-existence of the EVC meters.

"We could not get the correct reading from the gas distribution companies as existing meters are not capable of providing correct reading", he said.

Source: theindependentbd.com– Jan 30, 2022

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Islamabad eyes $3b loan from Beijing

Government sources said that in addition to political engagement, the premier would also seek Chinese support in areas of finance, trade and investment.

A final meeting to shape the agenda of the visit would take place on Tuesday -- two days before the scheduled visit, the sources added.

The prime minister will depart for Beijing on February 3 and attend the inaugural session of the Winter Olympics there.

A senior finance ministry official said the government was considering requesting China to approve another loan to the tune of $3 billion in China's State Administration of Foreign Exchange, known as SAFE deposits.

China has already placed around $11 billion with Pakistan in the shape of commercial loans and foreign exchange reserves support initiatives, including $4 billion in SAFE deposits.

The Chinese money is part of the country's current official foreign exchange reserves recorded at $16.1 billion.

In the last fiscal year, the country had paid over Rs26 billion in interest cost to China only for using a $4.5 billion Chinese trade finance facility to repay the maturing debt.

Last month, Pakistan also received a Saudi loan of $3 billion, which the country has consumed. The foreign exchange reserves that before the Saudi injection stood at $15.9 billion have already fallen to $16 billion by January 21.

The government would also seek Chinese investment in six priority sectors by highlighting the competitive advantages that the country has in areas of cheap but skilled labour, access to the two richest continents of the world and tax exemptions.

"We will market textile, footwear, pharmaceutical, furniture, agriculture, automobile and information technology sectors for Chinese investment," said Azfar Ahsan, the chairman of the Board of Investment.

The government is expected to tell the 75 Chinese companies that it provided access to trade routes to the Middle East, Africa and the rest of the world – offering greater incentive in shape of reduction in freight cost.

"Unlike in the past when we would only talk about Pak-Sino friendship being higher than the Himalayas and sweeter than honey, this time we are going prepared to China with a structured approach," Federal Planning and Development Minister Asad Umar told The Express Tribune.

He added that with the involvement of the China Pakistan Economic Corridor (CPEC) Authority, the government had selected those sectors for foreign investment where there was evidence of huge benefits for Chinese investors.

"The study of selected locations shows substantial benefits in transportation times via CPEC."

Sea freight charges often contribute 2% to 10% of unit cost depending on the product. Pakistan offers substantially better and lower sea freight rates to two of the largest import destinations, according to the CPEC Authority officials.

If imported from Pakistan, the freight costs 4,000 Euros per large container to EU destinations compared with 15,000 Euros from China. Similarly, these rates are 6,700 Euros in case of the US East coast against 12,500 Euros from Chinese port to the US.

These rates were also less when compared with India, Bangladesh and Cambodia.

Cost savings on sea freight can materially reduce costs for transacting parties, make product pricing competitive.

Similarly, Pakistani authorities believe that its labour is two times cheaper than that of China. This offers a greater opportunity for relocation of the dying Chinese industries.

However, all these areas and the competitive advantages are already known to the investors but they remain reluctant to bring in "big money" to Pakistan because of its inconsistent fiscal and energy policies.

China has decided to move into more sophisticated and high-tech-driven textile and apparel industry and engage in more value-added functions under its 2021-25 plan.

The government officials claimed that the electricity tariffs were competitive to the regional peers, 9 cents per unit electricity cost compared with 7.1 cents in Indian Punjab and 7.3 cents per unit in Vietnam.

They added that there was 100% exemption on income tax for 10 years, duty-free import of all plant, machinery and equipment and customs and other duty exemptions available for export-oriented raw material.

However, this month the government has withdrawn tax exemptions on the import of machinery and plants, including for Export Promotion Zones.

However, the Pakistani authorities believe that the country's textile sector presents the most attractive opportunities for Chinese investors in the value-added segment particularly apparel and made-ups, where there is considerable growth potential.

The investors will be able to take advantage of the "best possible" fiscal incentives in its special economic zones, skilled and inexpensive labour, easy availability of raw material, competitive energy tariffs, low freight costs and preferential access to European markets.

The Pakistan Railways has also informed the prime minister about the hiccups in the execution of the $6.8 billion Mainline-I project -- the largest project of the CPEC that has already faced a delay of more than four years.

The sources said the financing modalities of the project had not yet been finalised. Therefore, no major breakthrough was expected on this front.

The government has shown some progress on the lingering issue of about Rs230 billion withheld payments to Chinese power producers and has so far paid Rs50 billion. Another Rs50 billion are also expected to be paid next month.

Source: tribune.com.pk– Jan 30, 2022

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Bangladesh: Green factories still can't ensure higher prices: garment makers

The garment makers have spent over 30 per cent more for establishing green factories, but international buyers are still reluctant to pay higher prices for the produce made in the globally complaint units.

The garment makers made the comment at the launching programme of securing green transition of the textile and readymade garments sector in Bangladesh at Brac Centre in Dhaka today.

The Centre for Policy Dialogue and Sweden Sverige organised the programme for the green garment factories in Bangladesh.

The garment manufacturers have constructed the green factories as a part of their effort to protect the environment and brighten the image of the sector by saving 30 per cent energy and water consumption, the manufacturers said.

"However, we are not getting the premium prices from the retailers and brands," said Fazlul Hoque, managing director of Plummy Fashions Ltd, the greenest knitwear factory in the world located at Narayanganj.

The number of green garment factories in the country has now stood at 157 as the United States Green Building Council (USGBC) today awarded the green certification to two more factories.

Of them, 47 are platinum rated while 96 gold, 10 silver and 4 are just certified by the USGBC, according to data from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The USGBC awarded the Leadership in Energy and Environmental Design (LEED) to Bangladeshi factories.

Nearly 500 more garment factories are waiting to be LEED certificated by the USGBC.

Source: thedailystar.net– Jan 30, 2022

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Pakistan: Domestic cotton stock to end in February

According to Karachi Cotton Brokers Forum Chairman Nasim Usman, the depletion of cotton stock in the country by the end of February will adversely impact the small textile mills.

"Such units will be forced to look for other options as opposed to the large textile groups that have signed cotton import deals with international companies as per their need," he said.

According to the Pakistan Bureau of Statistics (PBS), textile exports grew significantly by nearly 26% year-on-year to $9.4 billion in the first half of current fiscal year 2021-22 and fetched 62% of the overall export earnings.

"Energy crisis is also affecting the output of textile mills in many areas, especially in Sindh and Balochistan," said Usman. He pointed out that other export and non-export sectors of the economy were also enduring energy scarcity.

"Growth of the textile sector will seemingly slow down in the second half of FY22 due to multiple reasons including the lack of good-quality cotton and inconsistency in gas supply, resulting in production issues," Topline Securities' analyst Saad Ziker told The Express Tribune.

Ziker was of the view that the government of Pakistan should increase the target of cotton production to make better-quality cotton available in the market.

He added that the target was fixed below 10 million bales for the ongoing fiscal year whereas the overall requirement was more than 15 million bales.

The analyst emphasised that the shortage of cotton in the country would encourage imports of the commodity and further increase the import bill.

He was of the view that "the government needs to provide consistent energy resources to the textile industry because its production was suffering and export orders were at risk of delay".

On the other hand, the value-added textile export industry of Karachi expressed disappointment over the government's silence, indecisiveness

and lack of response to the shortage of gas and re-gasified liquefied natural gas (RLNG).

He noted that despite repeated appeals by the businessmen, the government failed to take notice of the situation.

In a statement, Value-Added Textile Forum Chief Coordinator Jawed Bilwani said that factories had been receiving little-to-no supply of fuel for the past over 100 days, which brought the production of exportable merchandise to a halt.

"The government's promises and commitment to ensure the supply of gas to export industries appear to be deceptive and false," he added.

Arif Habib Limited analyst Arsalan Hanif said that cotton shortage was a normal phenomenon during January-February of every year because the local stock had been exhausted and industries relied on imports to fill the gap.

Although Pakistan's cotton yield in the ongoing year was better than the previous year, the demand was much higher than supply, he stated.

Insight Securities analyst Ali Asif said "as per our channel checks, cotton stock will be exhausted in February and new stock will arrive in markets in June."

"Most textile companies must have predicted the upcoming cotton shortage and stockpiled sufficient volumes to consume during the four months (March-June)," he said.

"If the textile industry is inking agreements for the import of cotton, which is 8-10% more expensive than the local cotton, it is likely to affect the companies' gross margins because they cannot pass on the increase in cost to end-consumers," he said.

"Firms have to keep their prices as low as possible to remain competitive in the international market."

Source: tribune.com.pk– Jan 30, 2022

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NATIONAL NEWS

Pocketing even 1% market share from China means India gets a $10-billion opportunity in textiles, says industry

The textiles industry has been struggling to stay afloat in the midst of a raging pandemic that caused acute labour shortages and a surge in cotton prices.

If these weren't enough, smaller nations such as Vietnam and Bangladesh are now overtaking India in this segment. Though there has been a 41% increase in textile exports from April-December 2021 against last year, a lot remains to be done to help the sector be more competitive and on a par with global challengers.

A report by the Confederation of Indian Industry (CII) and global management consulting firm Kearney released in October last year had stated that India's textile industry should aim for $65 billion in exports in the next five years, especially with the "China Plus One" sentiments lending India a favourable position — as global companies look at sourcing and manufacturing destinations outside the "factory of the world", China.

Affirming such views, KK Lalpuria, Executive Director & CEO, Indo Count Industries, says a clear opportunity exists for India as textile brands and retailers are trying to de-risk their supply chain by looking at alternative hubs. "China's cost competitiveness is waning. Their market share is still 30%-36% and even a 1% market share shift will imply a $10-billion market, because the global textiles trade is $1 trillion. So that is the kind of scale that India is looking at," he says.

India's domestic textile and apparel production is worth $140 billion, including $40 billion of textiles and apparel export, according to the Press Information Bureau.

The government has set an export target of $100 billion over the next five years, from $34 billion (2019-20), according to the commerce ministry. Experts have pointed out that India, being a leading textile player, has the opportunity to massively scale up its presence in this segment.

Target path

The government's target of $100 billion in textile exports over the next five years can be achieved only if there is a proper framework, longer term policies and better planning by Indian entrepreneurs, he says. "Besides this, hand-holding on ease of doing business is needed so that we can ensure smooth functioning of the supply chains to the brands and retailers looking to de-risk operations. Also, if India manages its cotton supply well enough, we can have more value addition in raw cotton or yarn exports, which can enable us to scale up operations and grow our market share," the CEO adds.

Adding to this chain of thought, Neelesh Hundekari, Partner, Kearney, says India's strategic depth in textiles is an advantage that few can boast of. "The biggest opportunity or market is in exports. So at least a $16-billion growth opportunity exists in apparel, and China Plus One is the perfect sentiment (to take advantage of). Every company that sources apparel wants an alternative to China. Another opportunity is in fabrics, where we target a $4-billion jump by positioning India as a regional fabric hub," he says.

Other areas of potential he points to are man-made fibres and yarn, in which India can aim for a $2.5 billion-$3 billion jump; home textiles where a $4-billion increase can be targeted as Indian companies dominate this space; and technical textiles, which can aim for a $2-billion jump on the back of domestic demand growth as well.

The textile industry has been trying to hold its own in the face of challenges like surge in cotton prices, acute labour shortages and competition from smaller nations such as Vietnam and Bangladesh. Industry experts mention why FTAs will prove extremely significant for textiles going forward and how the China Plus One sentiment is a time to leverage the opportunity presenting itself. Watch this panel discussion to know more.

India's home textile exports stood at $4.1 billion in FY20, accounting for 7% of the global home textiles trade, according to the CII-Kearney report. India's market has seen a strong growth trajectory of 9-10% CAGR during 2015–2019.

Apparel, which grew at about 10% CAGR from 2015 to 2019, forms the bulk of India's consumption. The remaining market is technical textiles (23%) and home textiles (7%), the report added.

Capex pain

Referring to another major impediment, Hundekari says high import duties on machinery act as a deterrent for the industry. “There is a 27% import duty on textile machinery and 18% on GST. So, there is almost 45% additional increase in capex when importing machinery. Till some of these duties can be rationalised or indigenous manufacturing promoted, we have to find a way to keep capex down,” he adds.

Industry experts also reckon that aspects such as digitisation, design capabilities as well as sustainability and traceability are becoming significant tools for differentiation in the sector. Rajat Wahi, Partner, Deloitte India, says traceability is a big play now. “People want to know if natural fertilisers are being used or synthetics, how the farm is, the quality of the people on the farm, how it impacts the product, etc. We have to see how we can enable such aspects. Besides this, home-textile players have created a big presence here. This should be scaled up further by assuring them of quality, sustainability and getting the products on time whenever they buy from India,” he says.

In the Union Budget, experts want the Production-Linked Incentive (PLI) Scheme in textiles to be more broad-based, focus on reducing working capital pressures, spell out ways to implement schemes and build scale for the sector. “Scale will help in our logistics and procurement, and bring down our cost of manufacturing. We need to create manufacturing facilities to be able to compete with the likes of Bangladesh and Vietnam and put our product in parity to them,” Wahi adds.

Source: economictimes.com– Jan 30, 2022

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Exporters await with scepticism, cautious optimism

In August 2020, the Refund of Duties and Taxes on Export Products (RoDTEP) scheme was touted as a Rs 50,000 crores package. The allocation for the scheme in last year Budget was only Rs 12,500 crores. The scheme was introduced from the beginning of last calendar year but the RoDTEP rates were announced only in September 2021.

The items falling under Chapters 28, 29, 72 and 73 and exports made under advance authorisation scheme and by export oriented units and units in the Special Economic Zones (SEZ) are not covered under the scheme. Since last few days, the Customs have stopped generating the scrolls for grant of RoDTEP duty credits in the electronic credit ledgers of the exporters.

The facility for filing the applications under the Merchandise Exports from India Scheme (MEIS) was disenabled in July 2020 and restored in September 2021. The entitlements for exports made during October-December 2020 were cut drastically. After granting the duty credit scrips for a while, the facility for filing the MEIS applications for that quarter has been disenabled.

Similarly, the allocations under the Served from India Scheme (SEIS) for the year 2019-20 were also capped and restricted to fewer sectors. The Budget 2021 envisaged higher allocations under the interest subvention scheme but the Reserve Bank of India has not yet issued any notification extending the scheme beyond end September 2021. In 2014, the government said that logistics costs in India are about 14% compared to about 8% in the developed countries. Almost 8 years later, the government is saying the same thing.

So, the exporters are rather apprehensive that no matter what the announcements and allocations in the Budget, the actual delivery of the benefits will be constrained by the extent of funds available. They expect that the social sector will get priority given that the poorer sections of the society that have suffered heavily during the pandemic need to be supported.

The SEZ units expect changes in laws that will mandate payment duty on the inputs rather than payment of duty on the final products when they clear goods in the domestic tariff area. The government is also expected to notify the Shipping Bill (Post Export Conversion in relation to Instrument based

scheme) Regulations and amendments to the Customs (Import of Goods at Concessional Rate) Rules, 2017, as per the draft put up for stakeholder consultations a few weeks back.

In 2021, the economy rebounded strongly from the lows of 2020 thanks in no small measure due to export growth. Strong demand from the developed economies helped the exports reach nearly US$ 300 billion in the April-December period despite soaring commodity prices, supply side disruptions and high transportation costs. However, the overall sea cargo tonnage is almost at the same levels as in the pre-pandemic 2019.

The global economic growth may moderate during 2022 mainly due to gradual withdrawal of the fiscal stimulus and hardening of interest rates in the developed countries. However, the port congestion and container availability may ease and the ocean freight rates may come down this year. The supply side constraints may be less and the commodity prices may come down. Also, the worst of the pandemic may be over. So, there are enough grounds to be cautiously optimistic.

Source: business-standard.com– Jan 31, 2022

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Rs 10,000-crore scheme to develop 700 districts as export hubs on cards

The commerce and industry ministry has proposed a Rs 10,000-crore scheme to develop 700-odd districts of the country as export hubs which will be part of the upcoming foreign trade policy. An announcement to this effect is likely in Budget 2022-23.

"The contribution of the Centre will be almost Rs 10,000 crore and the rest would be done by the states. So, the scheme would have a larger outlay," said an official, who did not wish to be identified.

States' contribution could be Rs 5,000-6,000 crore, according to people aware of the matter.

Under the 'Districts as Exports Hub' initiative, products and services with export potential have been identified in all districts of the country, including agricultural and toy clusters and products with geographical indications.
In the next three to five years, the government is aiming at a double-digit export growth from 500 districts of the country.

India's merchandise exports surged a record 38.91% year-on-year to $37.81 billion in December 2021 and amounted to $301.38 billion in the April-December period.

"District as Exports Hub is an initiative right now, but it doesn't have any budgetary support. A proposal has been made to the finance ministry to launch a new scheme," said the official.

Under the initiative, an institutional mechanism has been set up in each district in the form of District Export Promotion Committees, whose primary function is to prepare and act on district specific export action plans in collaboration with all the relevant stakeholders from the Centre, state and district levels.

Besides developing a database of all potential exporters in each district, work is also on to build an interface with the Indian Missions abroad to provide them access to exporters in each district for them to market outside India and find potential buyers.

The Centre also plans to assist states and UTs to prepare an annual 'Export Ranking Index' of districts in the respective state to rank each district on its export competitiveness.

Industry executives said the launch of the scheme is timely given the upcoming crucial elections in Uttar Pradesh and Punjab. Uttar Pradesh had implemented One District, One Product programme across its 75 districts. "UP has a large number of districts and such a boost will support agricultural exports from the state and the entire country," said an industry executive, who did not wish to be identified.

Source: economictimes.com– Jan 29, 2022

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India's manufacturing outlook improves in Q3: FICCI Survey

The outlook for India's manufacturing sector has improved in the October-December quarter but the cost of doing business remains a cause for concern for the sector while the hiring outlook remains subdued, according to a survey released by FICCI.

The survey indicated that the capacity utilisation range in manufacturing is pegged in the range of 65-70 per cent reflecting sustained economic activity in the sector. The industry chamber added that manufacturers are looking forward to the budget to enhance growth and investments in the sector.

FICCI's latest quarterly survey assessed the performance and sentiments of manufacturers in the December quarter for twelve sectors including automotive, capital goods, cement, chemicals, fertilisers and pharmaceuticals, electronics & electricals, medical devices, metal & metal products, paper products, textiles and textiles machinery.

The survey is based on responses from over 300 manufacturing units from large and SME segments with a combined annual turnover of over ₹2.7-lakh crore.

"The percentage of respondents reporting higher production in the third quarter of FY 2021-22 (October-December) was around 63 per cent. This was almost double than the last year's third quarter (around 33 per cent). This assessment is also reflective in order books as 61 per cent of the respondents in October-December 2021-22 had a higher number of orders vis-à-vis July-September 2021-22," FICCI stated.

But the respondents raised concerns around the cost of doing business and listed out high raw material prices, high power tariff, high cost of finance, the uncertainty of demand, shortage of working capital, high logistics cost and low domestic and global demand due to supply chain disruptions among the major constraints, it added.

Rise in exports

About 50 per cent of the respondents said they are expecting a rise in exports in the third quarter of the fiscal year compared to the corresponding quarter in the previous fiscal.

"Hiring outlook for the manufacturing sector remains subdued as around 75 per cent of the respondents mentioned that they are not likely to hire additional workforce in the next three months," FICCI added. Nearly 81 per cent of the manufacturers said that cost of production as a percentage of sales has risen.

"High raw material prices, increased transportation and logistics cost, and rise in the prices of diesel, LPG, natural gas, power, and fuel has been the main contributor of increasing cost of production. Other factors affecting the cost of production are increasing labour cost, short supply of raw material, high cost of carrying inventory, and fluctuation in the foreign exchange rate," FICCI added.

Source: thehindubusinessline.com– Jan 30, 2022

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Cotton area may rise 20-25 per cent next year due to high prices, says CAI

Cotton Association of India (CAI), the apex trade body for the sector, expects area under the fibre crop to increase by 20-25 per cent in the upcoming planting season across all ten producing states, due to the high prevailing prices.

"According to some of the cotton manufacturers, the orders and demand for cotton seed from dealers across the country has increased by 50-60% and this demand will continue increasing in coming months. By looking to this higher demand for cotton seed and the higher rates for cotton, it looks like the sowing area will increase by 20-25 per cent in all 10 cotton growing states," Atul Ganatra, President, CAI told the Agriculture Ministry recently.

"As on today kapas (raw cotton) rates in India is ₹9000- to ₹10,000 per quintal and cotton farmers are very happy for getting this higher rate. This higher rate for kapas will attract farmers from other crop like soyabean, groundnut & chillies towards cotton in a very big way," CAI said.

In Maharashtra, CAI expects farmers to shift to cotton in a big way from soyabean. The soyabean prices are around ₹6,000 per quintal and raw cotton is hovering around ₹10,000 per quintal. Similarly in Gujarat, the groundnut prices are around ₹5,500 per quintal while cotton is about ₹10,000. In Gujarat, farmers will shift from groundnut to cotton, while in South India the shift will be from chilli.

Increase in MSP sought

Further, CAI has suggested a moderate increase of 3-5 per cent in the minimum support price (MSP) of the fibre crop to protect the growers interest. However, for the extra long staple (ELS) cotton, which is currently being imported, CAI has suggested a higher MSP increase of 25-30 per cent for the next cropping season to attract the growers interest.

CAI has also made a pitch for removal of price controls on sale of cottonseed. "If price control is removed the seed company can increase the seed rate and give new technology seed to farmers, which will help to increase our cotton yield which is at present lowest in the world at about 475 kg against world average of 800 kg," Ganatra said.

Cotton output

Cotton production over the past five years has been stagnant at around 350 lakh bales of 170 kg each, but at the same time consumption has gone up from 310 lakh bales to 345 lakh bales.

"If we fail to increase our cotton production in coming years, we have to import lots of cotton," Ganatra said. He further suggested that India should look at following Brazil, which is getting yield of 1800 kg with new seed technology.

Source: thehindubusinessline.com– Jan 30, 2022

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'Allow duty-free cotton import with quantitative restrictions'

The textile and clothing industry, which is facing high raw material costs, has sought duty-free import of cotton with quantitative restrictions.

Textile machinery manufacturers are delivering almost two lakh spindles a month, said T. Rajkumar, chairman of Confederation of Indian Textile Industry.

This means that substantial addition of production capacity has been taking place. Thus, cotton consumption by textile mills during the current cotton season, which ends on September 30, is likely to be higher at close to 340 lakh bales while cotton production is estimated to be almost 350 lakh bales, compared with 360 lakh bales in the previous season.

Every year, 40-45 lakh bales turn out to be of poor quality, which is unusable. This year, the yield is said to be lower, apart from quality issues. Cotton prices have reached ₹80,000 a candy, rising from ₹43,300 in January 2021 and ₹57,000 a candy on October 1, 2021. There is hardly any cotton arriving at the markets, according to Ravi Sam, chairman, Southern India Mills' Association.

"The best of mills have just one-and-a-half months' cotton stock," he added. The Centre must permit 30 lakh bales of duty-free import of cotton for April-September, and that too only by end-users of cotton, Mr. Rajkumar and Mr. Sam urged.

Mills have to start booking cotton now to ensure shipments in April-May. "If this is not done, textile industry will [face] a disaster in March-April," Mr. Sam said.

Atul Ganatra, president, Cotton Association of India, said there are indications that the area under cotton would increase 20-25% for the next season. The government should increase the minimum support price for extra long staple varieties by 25% and for other varieties by only 3-5 %.

Source: thehindu.com– Jan 29, 2022

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India's exports to China jump 34 pc to USD 22.9 bn in 2021

India's exports to China have increased about 34 per cent to USD 22.9 billion in 2021 from USD 17.1 billion in 2019, according to data from the commerce ministry. Imports, on the other hand, rose 28 per cent to USD 87.5 billion in 2021 as against USD 68.4 billion in 2019.

According to the data, the trade deficit has increased to USD 64.5 billion last year as compared with USD 51.2 billion in 2019.

Trade experts have stated that India's exports to China have increased at a faster pace than that of its imports from China in 2021 when compared with the normal year of 2019.

Khalid Khan, vice-president of the Federation of Indian Export Organisations, said the huge export potential is there for Indian exporters in China.

"Our exporters are doing quite good in China. We can push our exports further," Khan said.

The share of raw material, intermediate goods and capital goods imports from China increased in 2021 as compared to 2019, whereas imports of consumer goods have fallen from 14.7 per cent in 2019 to 10.4 per cent in 2021, another expert said.

Further, in 2021, the US has taken a top slot as India's merchandise trade partner with a value of USD 112.3 billion. America was followed by China (USD 110.4 billion), UAE (68.4 billion), Saudi Arabia (USD 35.6 billion), Switzerland (USD 30.8 billion), and Hong Kong (USD 29.5 billion).

"There is a shift in the growth pattern of trade in 2021 with respect to 2020. In the post-COVID-19 period, India's merchandise trade with all other top trading partners except for Hong Kong and Singapore have registered growth higher than that of the growth registered with China in 2021 over 2020," an expert added.

Source: economictimes.com– Jan 28, 2022

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Leading Indian business chamber proposes BIMSTEC platform for paperless trade

Indian Chamber of Commerce, one of the leading national chambers of India, organized “Integrating BIMSTEC 2022” in collaboration with the Ministry of External Affairs, on the importance of creating a common platform for BIMSTEC countries to participate and carry forward paperless trade.

President of Indian Chamber of Commerce, Pradeep Sureka stated how the COVID-19 pandemic and the associated global recession had a devastating effect on international trade.

In an attempt to control the spread of the pandemic, countries had to impose drastic measures including lockdowns, travel restrictions, border closures, airport shutdowns, delaying entry for ships etc. These restricted measures affected the global supply chain.

He said, “Though we have seen, the effect of Omicron is not that fatal, however there is no guarantee that a fresh pandemic will not cause any more disruptions. While these cannot be avoided, the effect on the economies of countries can be mitigated by generating appropriate solutions. One way is to strengthen regional trade thereby limiting the physical boundaries of disruptions.

BIMSTEC was established to leverage the geographical advantage to strengthen economic & physical connectivity through more trade, investments, travel and exchange among member countries. The current trade among the BIMSTEC members has the potential to grow 5-6 folds.”

“It can make business transactions more convenient while ensuring regulatory compliances and improving the competitiveness of countries and their industries to move towards paperless chain.

It has gained a considerable pace through the development of block chain based solutions, which is definitely a more cost effective way of trading internationally. However, navigation through multiple platforms, e-filing of documents, to avail tax benefits causes hardships.

Hence providing ease of compliance is one of the key objectives of the Govt.

In this context the ambit of the current ice gate, Indian customs and electronic gateway and national portal of Indian customs is offering a e-filing service to the trade, cargo carriers and providing a centralized filing system for transactions related to cross border trade, SEZ's etc. so to cover an integrated all related compliance under one umbrella.

To summarize trade facilitation is a vital area for all policy makers going forward."

Source: economictimes.com– Jan 29, 2022

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Data monitor: Major port volumes up sequentially in Dec

Major ports' volumes rose 6% m-m to ~63mnt in Dec 2021, implying a 1.6% CAGR over Dec 2019-Dec 2021.

Container volumes (+13.7% m-m) and POL (+6% m-m) were the key contributors to the sequential increase.

Coal volumes fell ~12% m-m. Container volumes came in strong at 1,019k TEUs, up +12.8% m-m, implying 10.7% CAGR over Dec 2019-Dec 2021.

In tonnage terms, container volumes logged a stronger 11.4% CAGR over Dec 2019-Dec 2021 (+13.7% m-m).

Source: financialexpress.com– Jan 31, 2022

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Punjab Dyers' Association join hands with CICU in Ludhiana to strengthen textile industry

To discuss issues being faced by the textile industry, a delegation, including Harvinder Singh from Sanchi Processor, Vishal Jain from Amar Dyers, Harminder Singh from Sky Clothing and Rahul Verma from Gulab, visited the Chamber of Industrial and Commercial Undertaking (CICU).

They said the textile industry is going through a difficult time and is not running as per expectations. "There are a number of issues with state and central government, which need to be resolved on priority. The major issues are related to GST, Punjab Housing and Urban Development, Punjab State Power Corporation Limited, Punjab Pollution Control Board and customs department," said the traders.

The delegation further added that Punjab Dyers' Association is honoured to be associated with CICU and will extend its support to CICU for the betterment of the industry.

CICU president Upkar Singh Ahuja, general secretary Pankaj Sharma, joint secretary SB Singh said the industrial body with the help of all affiliated associations will work together and fight for the betterment of the industry.

Source: hindustantimes.com– Jan 30, 2022

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