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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	EU economy to grow by 4% in 2022, 2.8% in 2023
2	EU economy greenhouse gas emissions up 6% YoY in Q3 2021
3	USA: Reopening the 'Experience Economy' Fuels January Retail Sales
4	68% of Vietnamese, 40% of APAC businesses aim at omni-channel sales
5	Demand Continues to Support Price as Export and Shipping Issues Mount
6	Bangladesh: Commerce wants VAT cut on non-cotton yarns to Tk3 per kg
7	Pakistan: Trade with India need of the hour, says Razak Dawood
8	Pakistan: Rupee drop: winners and losers
9	Pakistan: 7.4mn bales of cotton reach ginneries, up 32% YoY: PCGA

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SAYING NO TO
CHILD LABOUR

	NATIONAL NEWS
1	Piyush Goyal plans for Commerce Ministry to get $2 trn exports by 2027
2	India, UAE seal FTA; to raise bilateral trade to $100 billion in 5 years
3	Boost to PLI Schemes: Govt may ease curbs on Chinese investments
4	India-UAE CEPA: Import duties on 90 per cent of Indian products to be immediately eliminated
5	A good start
6	Building bilaterals over trading blocs
7	MOOWR defeats purpose of duty hike on capital goods
8	Strict rules of origin in India-UAE trade pact over routing concerns
9	Trade pact with UAE may benefit $26 bn worth of Indian goods: Official
10	India's industrial activity expected to pick-up: Crisil Research
11	India-UAE trade pact to boost apparel exports, employment, say exporters
12	Tirupur exporters are bullish on CEPA agreement with the UAE
13	Textile markets in India & Pakistan to benefit as China lose foothold
14	How startups are restructuring bespoke clothing sector in India

INTERNATIONAL NEWS

EU economy to grow by 4% in 2022, 2.8% in 2023

Following a notable expansion by 5.3 per cent in 2021, the European Union (EU) economy will grow by 4 per cent in 2022 and 2.8 per cent in 2023, according to the EU Winter 2022 economic forecast, which said growth in the euro area is also expected to be 4 per cent in 2022, moderating to 2.7 per cent in 2023.

The EU as a whole reached its pre-pandemic level of gross domestic product (GDP) in the third quarter (Q3) of 2021 and all member states are projected to pass this milestone by the end of 2022.

After the robust rebound in economic activity that started in spring last year and continued unabated through early autumn, the growth momentum in the EU is estimated to have slowed to 0.4 per cent in the last quarter of 2021, from 2.2 per cent in the previous quarter, according to an EU press release.

Growth continues to be shaped by the pandemic, with many EU countries under pressure from a combination of increased strain on healthcare systems and staff shortages due to illness, precautionary quarantines or care duties.

Logistic and supply bottlenecks, including shortages of semiconductors and some metal commodities, are also set to keep weighing on production, at least throughout the first half of the year.

Energy prices are now expected to remain elevated for longer than expected in the Autumn forecast, thereby exerting a more protracted drag on the economy and higher inflationary pressures.

This new forecast assumes that the strain on the economy caused by the current wave of infections will be short lived. Economic activity is set to regain traction, also as supply conditions normalise and inflationary pressures moderate.

Looking beyond the short-term turbulence, the fundamentals underpinning this expansionary phase continue to be strong.

Overall, inflation in the euro area is forecast to increase from 2.6 per cent in 2021 (2.9 per cent in the EU) to 3.5 per cent (3.9 per cent EU) in 2022, before declining to 1.7 per cent (1.9 per cent EU) in 2023.

Source: fibre2fashion.com– Feb 19, 2022

HOME

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EU economy greenhouse gas emissions up 6% YoY in Q3 2021

In the third quarter (Q3) of 2021, EU economy greenhouse gas emissions totalled 881 million tonnes of CO2-equivalents (CO2-eq) which is slightly below pre-pandemic levels. The emissions in Q3 increased by 6 per cent compared with the same quarter in the previous year due to the economic rebound after the sharp decrease of activity in the same quarter of 2020 due to the COVID-19 crisis.

In the pre-pandemic third quarter of 2019, emissions amounted to 891 million tonnes, according to the data on quarterly estimates for greenhouse gas emissions by economic activity published by Eurostat, the statistical office of the European Union.

In the third quarter of 2021, the economic sectors responsible for most emissions of greenhouse gases were manufacturing (23 per cent of the total), electricity supply (21 per cent), and households and agriculture (both 14 per cent).

Based on economic activity data, in most EU Member States, the third quarter of 2021 showed an increase of greenhouse gas emissions compared with the same quarter of 2020, reflecting recovery from the pandemic.

Emissions in the third quarter of 2021 decreased in Slovenia (-2.6 per cent compared with the same quarter in 2020), Luxembourg (-2.3 per cent) and the Netherlands (-1.6 per cent). On the other hand, the largest increases in emissions were recorded in Bulgaria (22.7 per cent), Latvia (16.2 per cent) and Greece (+13.1 per cent).

Despite the effect of the economic rebound between the third quarters of 2020 and 2021, the long-term trend of EU greenhouse gas emissions displays a steady reduction towards the EU targets.

Source: fibre2fashion.com– Feb 19, 2022

HOME

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USA: Reopening the 'Experience Economy' Fuels January Retail Sales

U.S. retail sales in January rose 7.2 percent year-over-year, with online sales rising 10.4 percent versus January 2021.

The data from Mastercard SpendingPulse indicated that pent-up savings, wage growth and the re-opening of the "experience economy" helped drive the increase in consumer spending, excluding auto purchases. Beneficiaries included department stores, apparel and luxury, which all saw double-digit growth.

"Coming on the heels of the holidays, January typically marks a month of returns and exchanges. However, the strong growth across sectors reflects the optimism and eagerness for the year ahead," Steve Sadove, senior advisor for Mastercard and former CEO and chairman of Saks Inc., said. "With nearly all sectors up, we see consumers returning to their shopping habits with a continued emphasis on digital."

Apparel sales rose 37.6 percent in January year-over-year, a continuation of the positive growth the sector has experienced for 11 consecutive months as consumers opened up their wallets to refresh their closets. Department stores saw a similar gain, with January sales up 10.5 percent year-over-year and up 9.8 percent when compared with pre-pandemic levels. In luxury, the gain in sales was 45.3 percent year-over-year, with sales expected to continue to outperform ahead of Valentine's Day, Mastercard said.

E-commerce sales jumped 110.1 percent over pre-pandemic levels, and rose in the double-digit percent range versus a year ago. Restaurant sales jumped 36.7 percent year-over-year, and were up 16.6 percent versus pre-pandemic levels.

When compared with Visa's U.S. Spending Momentum Index (SMI), which slipped to a seasonally adjusted 102.4 in January from a revised 109.4 in December, the initial thought might be that consumers were no longer in a spending mood, contrary to results from January's Mastercard SpendingPulse. However, that might not be true, given that a tally above 100 on Visa's SMI still indicates consumer spending. Moreover, the decline from December's reading was attributed to the rise in Covid cases due to Omicron.

“The SMI readings continue to reflect that there is a clear indication of spending growth moderation in January,” Visa chief economist Wayne Best said. “That said, we expect more robust spending in the months ahead as virus concerns slowly subside.”

SMI for discretionary purchases in January fell 3.9 points from December to 100.6. In addition, SMI readings in the South, Midwest and Northeast were the softest, while the West had the strongest SMI reading, suggesting that severe wintry weather also may have played a role in curtailing consumer spending in January.

Pricing and promotions

Corey Tarlowe, a Jefferies equity research analyst covering department stores and specialty softlines, said data for the retail fourth quarter through Jan. 25 indicates that discounts fell on average 400 basis point from a year ago, versus a decline of 200 basis points from the third quarter. Average selling prices (ASP) were up 12.3 percent in the fourth quarter year-over-year, versus up 1 percent in the third quarter. The retail calendar runs through the end of January to include the post-holiday selling period and typically begins in February.

“In our view, strong promotional control and customer demand—healthy consumer plus pent-up demand and fashion tailwinds—coupled with tight inventory levels can help offset potential supply chain and Covid-related headwinds in [the fourth quarter],” Tarlowe said.

In a deep dive into pricing and promotion data on eight apparel brands over as many years, the analyst found that Gap, Old Navy, Anthropologie and Urban Outfitters saw improvements in both discounting and ASPs, while Abercrombie & Fitch saw a modest increase in discounting and ASPs.

In addition, both Old Navy and Gap each saw ASPs rising 6 percent in the quarter from a year ago. Moreover, Gap saw “significant improvement” in ASP from the third quarter, rising 1.4 percent year-over-year. Discounting was also down at both Old Navy and Gap, reflecting sequential improvement from third quarter levels.

At Urban Outfitters, fourth quarter ASPs rose 8 percent year-over-year, reflecting a significant improvement from the third quarter’s decline of 8 percent. Anthropologie’s ASPs spiked 31 percent in the fourth quarter from year-ago levels, and improved sequentially from the third quarter, which was down 2 percent. Discounting also declined in the fourth quarter. Even though the specialty chain said at the ICR Virtual Conference last month that there could be fourth quarter gross margin deleverage because of higher-than-expected inbound freight costs, “we believe Urban Outfitter’s ability to better manage promotions can help offset supply chain-related headwinds,” Tarlowe said.

Over at Abercrombie, Tarlowe found that fourth quarter ASPs for the core Abercrombie division were up 1 percent year-over-year, as discounting jumped 123 basis points year-over-year. But Tarlowe acknowledged that the ASP and discounting data might not be reflective of the company’s total inventory. Moreover, the slight improvement in pricing and increased promotions is also in contrast to management’s note of a double digit improvement in AUR (average unit retail) versus fiscal 2020 and fiscal 2021 levels due to reduced depth and breadth of markdowns and promotions. And the specialty retailer has said that gross margin could be flat relative to pre-pandemic levels even against 650 basis points of freight-related headwinds.

While Tarlowe noted potential risk to Abercrombie’s margin performance, he said, “we continue to believe Abercrombie is well-positioned to drive top-line growth as multi-year efforts spanning marketing, product, and in-store presentation have yielded two brands that resonate with their distinct audiences.” In addition to the core Abercrombie brand, the specialty chain also operates the teen brand Hollister.

Retail checks and inventory

Store checks in New York and New Jersey earlier this month found that apparel inventory varied by category and retailer, while home remained soft. Stephanie Wissink, lead broadlines analyst, said that more warm-weather items were on display.

Among the department stores in New Jersey, apparel inventory was mostly solid at a Kohl’s store in Secaucus, but there were some softness, such as with footwear merchandise. Home inventory was lighter. At a Macy’s store in Jersey City, inventory overall was “very healthy” except for some slight softness in home. On the day of the Jefferies visit, Macy’s was holding a one-day sale, “which included winter coats for 60 percent off,” the same promotional discount that was in the store when the equity research team visited in December.

At a Nordstrom Rack location in Manhattan, inventory selection appeared largely the same as in January. “Contrary to the store in Memphis we visited in Nov to Jan, this N.Y.C. location did have near full footwear inventory. Overall apparel inventory seems very healthy, which aligns with Nordstrom inventory substantially higher versus 2019. However, increased promos [were] up to 70 percent off throughout store,” Wissink said.

Among the mass discounters, apparel inventory was strong in a Target in Jersey City, including swimwear. In a Walmart store in Secaucus, apparel inventory was mixed, Wissink said.

ICSC on holiday

Jefferies’ data broadly aligns with ICSC’s holiday report.

An online survey of 1,007 U.S. shoppers from Jan. 3-Jan. 5 showed that 50 percent spent more on gifts than they did the year before.

Retail raked in 17 percent more revenue throughout November and December than the same period in 2020, though many consumers began shopping long before the traditional promotional period. On average, those who spent more reported spending about 21 percent more year over year—”a strong sign of resurgence for the retail industry,” ICSC said. Among the reasons for the higher spend—which averaged $1,011 per shopper on gifts, décor and experiences—were factors like higher product costs (28 percent), more gift recipients (26 percent), and the desire to create a “celebratory atmosphere” after Covid restrictions (25 percent).

Despite shipping delays and inventory challenges, ICSC reported that 64 percent of shoppers were satisfied with retail’s performance, noting that they thought stores did a good job of keeping shelves stocked with appealing merchandise. Some 45 percent of consumers said they began their gift shopping earlier than they had in years past in light of the highly publicized supply chain disruption.

What’s more, 86 percent of holiday shoppers purchased in person this year. “Shoppers returned to stores in higher numbers this year for a number of reasons, including the in-store shopping experience that allows them to see the products for themselves and get them immediately,” ICSC spokesperson Stephanie Cegielski told Sourcing Journal. “That draw, combined with lessened Covid-19 restrictions and strong pent-up demand, led to an increase in foot traffic at stores, malls, and restaurants.”

Concerns over product availability and e-commerce delivery delays encouraged consumers to purchase at brick-and-mortar locations and drove 61 percent (versus 58 percent in 2020) to buy a gift card instead of a tangible gift, she added. Consumers spent an average of $103 on gift cards this winter, with millennials and Baby Boomers leading the pack.

“Leading up to the holidays, consumers were mindful of shipping delays and the ongoing supply chain constraints,” Cegielski said, and for some, the items they wanted were on backorder or out of stock entirely. “Rather than opting for a substitution or risking a gift arriving late, some chose to purchase a gift card for that retailer so the recipient could then make the purchase themselves when the item was back in stock.”

Some 43 percent of shoppers used buy online, pick up in store (BOPIS) and curbside pickup this winter. “We expect click-and-collect options to see continued adoption amongst both retailers and consumers in 2022,” Cegielski said.

“The benefits for retailers are significant as well, as 88 percent of consumers made additional in-store purchases when picking up,” she added—evidence that “a cohesive omnichannel experience, including in-store shopping, remains crucial.”

“Looking ahead, the retailers that will see the most success in 2022 are those who continue to maximize potential across all available channels, meeting the consumer and their needs where they are,” Cegielski said.

Source: sourcingjournal.com– Feb 19, 2022

HOME

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68% of Vietnamese, 40% of APAC businesses aim at omni-channel sales

Sixty eight per cent of Vietnamese business leaders in particular and 40 per cent of regional leaders have invested in a multi-channel strategy as a way to build a foundation for future growth, according to a report by TMX, a business transformation consulting firm in the Asia-Pacific (APAC) region.

About 76 per cent of businesses in Vietnam and 46 per cent in APAC also consider investing in omni-channel sales as a top priority in the next three to five years. Vietnamese businesses believe that the trend of omni-channel sales combined with digital transformation will help them move ahead in the new normal after two years of the pandemic.

This trend reflects the actual social situation in the current period, when consumers are getting used to buying goods through e-commerce channels, and at the same time are starting to return to traditional shopping methods as social distancing measures are eased. TMX Asia president James Christopher said the difficulties of the two years of the pandemic have made businesses realise how to improve their supply chains and operations in the future.

The survey shows that about 62 per cent of Vietnamese enterprises and 52 per cent of enterprises in the region have begun to diversify their supply sources. At the same time, 34 per cent in Vietnam and 35 per cent of the APAC region actively assessed and reconsidered their dependence on third-party suppliers. In Vietnam, new business models have emerged after the pandemic. According to the Vietnam Logistics Research and Development Institute (VLI), one of the main strategies is to diversify suppliers to minimize risks, a Vietnamese media outlet reported.

Research shows that 80 per cent of regional leaders and 60 per cent of Vietnamese leaders believe that more technology applications and digital tools will be deployed in the future. At the same time, 82 per cent (the whole region) and 58 per cent (Vietnam) said that they would prioritise applying digital solutions in business activities if they do not face cost barriers after the pandemic.

Source: fibre2fashion.com– Feb 19, 2022

HOME

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Demand Continues to Support Price as Export and Shipping Issues Mount

Cotton trading was relatively quiet all week as prices eased marginally lower. However, Friday's (Feb. 18) trading did reawaken the bulls. The market has entered a price consolidation phase and is attempting to ease above the 10-day moving average.

March's failure to hold 125 cents did not break the price uptrend or the bulls. Technically, the picture being painted is one of indecision as the market sits at a crossroad in search of its path to continue the uptrend. The primary factors of bullish on-call sales, rising inflation, and the competition for 2022 land area will keep a floor under cotton prices.

Cotton prices, i.e., ICE futures, are somewhat rigid downward and flexible upward. That is, price support in the expiring March contract at 119 cents and the new crop December contract at 101 cents appear very firm. The path of least resistance is higher. The price objective for old crop remains 130 cents, and the new crop December continues to look at 107 cents with a possible target of 112 cents.

On-call sales continue to be very price supportive, actually more so every week. Yet, export prospects are a challenge to higher prices. Export sales are ahead of the schedule needed to meet USDA's export forecast of 14.75 million bales. However, export shipments, as we have reported for some time, are lagging the the pace needed to reach that estimate. In fact, export shipments are 3 million bales behind the year ago pace.

USDA is gradually lowering its estimate of export shipments, down from 15 million bales in January to the current February estimate of 14.75 million. Unfortunately, the final number will be 13.75 to 14.00 million bales. If fortunate, shipments could be as high as to 14.25 million bales.

The trucking situation, coupled with the U.S. consumer's affinity for anything Chinese, compels boats to return from the U.S. to China empty to more quickly get another boat load of goods headed to the U.S. consumer, regardless of whether the goods were produced or manufactured by forced labor in the province of Xinjiang. The U.S. consumer just wants to buy, buy, buy.

(NOTE: Customs is seemingly doing a good job weeding out goods and products directly using forced labor in Xinjiang. However, companies that are apparently cooperating with the Chinese Communist Party are still allowed to ship goods and/or sell such goods in China. Senator Rubio's office mentioned Nike as a company and the business press includes Adidas, saying they are playing both sides.)

It is ironic that yarn mills have generally been able to maintain their margins and spin at nearly full capacity while apparel sales are breaking records and big box retail stores have found a consumer that is hungry for cotton goods – all of this as the cotton production industry is having major difficulty in getting cotton delivered to yarn mills. Some mills suggest they would operate 24/7 if they could get cotton, including all the mills that remain the in the U.S.

Shipping is not just a problem for the export market, it is also impacting the domestic market. Cotton consumption cannot keep pace with demand now but, unfortunately, shipping concerns will likely begin to limit consumption later in the year. U.S. mills, basically located in the U.S. Cotton Belt, would use more cotton if they could get it.

Add to that irony is the fact that U.S. cotton is some of the cheapest in the world at a time when cotton prices are near a record high price, and U.S. exports are severely restricted because the country cannot get it shipped.

There is a great demand for cotton, for U.S. cotton. In fact, the market would support as much as a 20 million bale crop. Some suggest the U.S. could support a 23 million bale crop – possibly so. Yet, with U.S. production that large, the U.S. market would become even more beholding to the Chinese textile industry. The cotton industry would become as problematic to supply chain problems as those now wreaking havoc in the U.S. Thus, without a strong and viable domestic textile industry, those preaching for cotton production much above 20 million bales are also indirectly advocating 65-75 cent cotton.

Yes, there are points for debate, but always remember to keep market price in mind. The cotton grower must have demand, but the grower surviving the long run will always be the low cost of production grower. The market could care less about any particular grower. The grower is charged with discovering how to produce for the market, not vice versa.

Remember, the market is cold and very impersonable. Brazil is knocking on the door, burning as much rain forest as possible to increase crop plantings. More importantly, they have become very aggressive in marketing all commodities. They will increase cotton plantings and will grapple for market share as their comparative cost advantage can compete with the U.S.

The bull market in oilseeds and grains is taking some of the luster out of cotton plantings. We had expected as many as 13.0 million acres planted to cotton in the U.S. The changing price ratios are suggesting an estimate should be 12.4-12.6 million acres. The insurance price for all but South Texas will be above one dollar per pound. Inputs will be very expensive, but the same factor that caused higher input prices is also working to add to the bull market for cotton and other commodities.

Let’s add one more plus for the bull market, one that can disappear overnight – drought. The drought in the Southwest is spreading. The Coastal Bend region had some relief, but other parts of the cotton-producing Southwest are facing a more destructive drought than any in recent years. Every night, I receive a few emails about it.

The world is watching. The on-call sales ratio is the bull in the china shop and is not going away. That is why prices are rigid downward. However, Mother Nature wakes up and winks every day now. The speculators are winking back with her.

Source: cottongrower.com– Feb 18, 2022

HOME

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Bangladesh: Commerce wants VAT cut on non-cotton yarns to Tk3 per kg

The commerce ministry has recommended that the National Board of Revenue (NBR) fix Tk3 as VAT on sales of 1 kg of yarn made from artificial and man-made fibres – a similar rate that now applies to cotton yarn sales in local markets.

Currently, the revenue board collects Tk3 in VAT on sales of 1kg cotton yarns and Tk6 for non-cotton yarns.

Entrepreneurs in the textile industry have long been demanding the uniform VAT rate for all kinds of yarn sales. Taking it into consideration, Bangladesh Trade and Tariff Commission recently sent a proposal to the commerce ministry.

To meet growing local demand for non-cotton yarns, the ministry has finally sent a recommendation to NBR Chairman Abu Hena Md Rahmatul Muneem for lowering VAT on non-cotton yarn sales to Tk3 per kg.

Local textile millers say an equal VAT rate on all types of yarns will reduce discrimination and encourage local millers to produce non-cotton yarns, which will give a boost to investment and employment.

Sources at the NBR said they will review the matter in the next budget.

The local apparel market is also quite large and stands at around $8 billion.

At present, all kinds of yarns, fabrics and other accessories imported for making export goods are duty free. But VAT is applicable on domestic sales of yarns produced by textiles mills.

Earlier, VAT on both cotton and manmade yarns was the same. In FY21, the rate on non-cotton ones increased to Tk6 per kg.

Md Khorshed Alam, chairman of Little Star Spinning Mills, a yarn manufacturer for the local market, told The Business Standard that the reduction in VAT on synthetic fibre-made yarns will help reduce prices of such fabrics in the local market.

According to Bangladesh Textile Mills Association (BTMA), synthetic yarn is commonly used in burqas, hijabs, salwars, some shirts and pants.

Monsoor Ahmed, chief executive officer at BTMA, told TBS that limited-income people are the main buyers of garments made using these yarns. The demand for such clothing is increasing day by day.

Local entrepreneurs will be encouraged to set up factories for manufacturing non-cotton apparel items, allowing the people to buy clothes at relatively low prices.

According to a report by the Bangladesh Trade and Tariff Commission, fabrics made from artificial fibre-made yarns are cheaper, more fashionable, more varied and more durable than fabrics produced from any other yarns.

Bangladesh is not a cotton producing country, so it should reduce dependence on cotton, the report said.

If the VAT on sales of yarns made from artificial and manmade fibres are lowered to Tk3 per kg, the use of such yarns will increase, reducing dependence on costly cotton yarns, the commission pointed out.

However, a senior official at the NBR's VAT department told TBS on condition of anonymity that cotton-made garments are generally used by the poorer sections of the population, while artificial yarns are more expensive than cotton yarns in the market.

They would consider the commerce ministry's recommendation in the upcoming budget, he said.

According to the BTMA, the demand for man-made yarns in the country's market is increasing every year, which was around 5 lakh tonnes in 2020. Local production was one-third of it that year. Almost all yarns produced cater for the local market.

Source: tbsnews.net– Feb 21, 2022

HOME

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Pakistan: Trade with India need of the hour, says Razak Dawood

Adviser to the Prime Minister on Commerce, Textile, Industry and Production, and Investment Abdul Razak Dawood has said trade with India is the need of the hour and beneficial to both countries.

Also, Russia wanted to do investment in the field of construction and lay pipelines in Pakistan, he said on Sunday.

“As far as the ministry of commerce is concerned, its position is to do trade with India. And my stance is that we should do trade with India and it should be opened now,” Mr Dawood said in an interaction with media at an exhibition on engineering and healthcare organised by the Trade Development Authority of Pakistan. “The trade with India is very beneficial to all, especially Pakistan. And I support it,” he added.

About the exports to Afghanistan, the advisor said his ministry had increased the number of exporting items to Afghanistan (in Pakistan rupee) to 17. “Still various businessmen are contacting me to include their articles / items in this list as they also want to export their goods to Afghanistan in Pak rupee,” he claimed.

Talking about the trade relations with Russia, Mr Dawood said Pakistan’s exports to Russia and the countries bordering it (central Asia) and others required immediate attention and growth. “So we need to open this trade. And that is why we are going there,” he said, adding that Russia wanted to work in Pakistan in the fields of laying pipelines, constructions etc.

As for exports, he said the textile exports would reach Rs21 billion target in FY 2021-22 ending on June 30. The next year’s textile exports target is Rs27 billion. But the country should diversify its exports since its products range is squeezed.

“Our major export destinations are Europe, North America (especially the USA) and China. But our range of products needs to be increased. And I think, our engineering and healthcare-related goods can be added in the list of exports,” he said.

He admitted skyrocketing prices and their adverse impact on the common people. “I agree with you on this issue. But this issue will persist due to imports of oil, raw material, machinery and other goods,” Mr Dawood said.

Source: dawn.com– Feb 21, 2022

HOME

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Pakistan: Rupee drop: winners and losers

Experts believe that this devaluation has tremendously increased inflation besides raising the country's debt to an unsustainable level.

The Express Tribune takes a look at the impact of the deprecation on multiple sectors.

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) official Ahmad Jawad lamented that despite a surplus in the current account and robust home remittances last year, "Pakistani rupee failed to witness any sizable correction".

Does the government not realise what the country has suffered during the past 3.5 years in the wake of 31% currency devaluation, he questioned.

"The foreign exchange reserves, held by the State Bank of Pakistan (SBP), stand at around $17 billion," he mentioned adding that $2 billion were on way from international lenders which would be reflected in the data within two to three months.

Still, the exchange rate continues to hover at 175 against a dollar, he lamented.

"This shows that we are being forced to depreciate the local currency by the international donors and it is an agenda against Pakistan to weaken the economy," Jawad held the view.

Prime Minister Imran Khan should understand that rupee appreciation was direly needed for economic recovery of the country.

If the local currency failed to gain ground, the country would remain in the grip of skyrocketing inflation and surging commodity prices of products ranging from automobiles to food items.

Talking about the automobile sector, he pointed out that the local industry took the advantage of rupee depreciation and revised the prices of cars upward by around 70% despite the fact that the assembly plants were located in Pakistan and only a few parts had to be imported.

Moreover, the prices of essential medicines have risen as well, he noted.

Citing a study, which analysed the price trends of 120 randomly selected medicines, Jawad observed that a major jump was witnessed in 2019 as the average price of the sample soared to Rs585 against Rs410 in 2018.

He recalled that the Drug Regulatory Authority of Pakistan (DRAP) allowed 15% price hike on medicines in 2018 due to abrupt devaluation of the rupee.

The rates of active pharmaceutical ingredients of common medicines, being imported from China, soared due to the rupee depreciation, Jawad pointed out.

In August 2018, the local currency was standing at Rs123 a dollar, which had devalued to Rs178 in January 2022, he recalled adding that the nation witnessed one of the steepest depreciation during the 3.5 year period in history.

“The only other sharp devaluation of local currency occurred when Dhaka (Bangladesh) was separated from Pakistan,” he stated. “At that time, the local currency depreciated by 58% from Rs4.6 a dollar to Rs11.1.”

He reiterated that the recent slump in the local currency was “dictated by the International Monetary Fund (IMF) and it has nothing to do with macroeconomic fundamentals”.

Detailing the performance of the regional currencies, he underlined that the Indian rupee was standing at Rs70.09 against the US dollar in 2018 and it now stood at Rs75.39.

The Bangladeshi taka fluctuated in the range of 84 to 85.9 a dollar (on an average) in the past two years and it was currently standing at 85.76 against the greenback.

Insight Securities analyst Ali Asif was of the view that the manufacturing sector bore severe brunt of rupee depreciation.

The fall in the value of local currency lifted the cost of production which eventually led to an additional price burden on the end consumers, he added.

“We have noticed persistent increase in car prices on the back of rupee depreciation, as most of the raw material, particularly cold-rolled coil (CRC) for flat steel, is imported.”

On the flip side, the slump in rupee value greatly aided the textile exporters in posting better profit margins, he underlined.

“Although the sector imports some of the raw material, the devaluation of rupee lent it all-out support,” he added.

Echoing his views, Arif Habib Limited (AHL) analyst Arsalan Hanif said that rupee’s devaluation against the greenback mainly facilitated the textile sector.

“It gives the textile exporters a competitive advantage over other countries, in terms of pricing, labour charges and profit margins,” he said, adding that the sector was witnessing a double-digit growth in exports.

On the other hand, the automobile sector was the worst affected from the slump in the rupee value, as “the industry imports most of its parts from abroad”, he underlined.

Therefore, car prices in Pakistan increased by more than 50% in the past three years, he added.

“The auto sector can easily pass on the impact of costly raw material to end-consumers due to strong pricing power of auto companies,” he said. “This has already been witnessed in the past.”

Talking about the textile industry, Topline Securities analyst Saad Ziker noted that the diversion of foreign orders to Pakistan from Bangladesh and India, amid the Covid-19 pandemic, also played a key role in lifting the textile exports besides devaluation of local currency.

The textile exports touched $9.4 billion in the first half of 2021-22, he said adding that the rupee depreciation coupled with higher cotton prices helped the sector reach this level.

“Textile sector is the biggest beneficiary of rupee devaluation,” he remarked.

Referring to the pharmaceutical industry, he mentioned that the companies urged the government to increase the prices of medicines, as the majority of active pharmaceutical ingredients were being imported by the firms.

Citing examples, he said that recently the cost of raw material used in Paracetamol (medicine) increased which led DRAP to approve around 40% hike in its price, from Rs1.9 to Rs2.7 a tablet.

Insight Securities analyst Saad Hanif underlined that the slump in the value of rupee had significantly increased the production cost of the industries, as "they mainly import coal for their operations and it constitutes around 40-45% of their cost of goods sold".

A senior analyst of the cement industry, Saqib Hussain, was of the view that the rupee devaluation had increased the cost of manufacturing by Rs100 a bag (cement) in the past three years.

Source: tribune.com.pk– Feb 20, 2022

HOME

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Pakistan: 7.4mn bales of cotton reach ginneries, up 32% YoY: PCGA

As per the report, total cotton arrivals surged to 7.434 million bales as of February 15, 2021, compared to 5.616 million bales in the same period last year, a difference of 1.82 million bales.

Cotton arrival in Punjab was 3.922 million bales compared to 3.480 million bales in the same period last year, an increase of 0.442 million bales or 13%. On a fortnightly basis, cotton arrival recorded a marginal increase of 0.3% as compared to 3.908 million bales on February 1.

Similarly, cotton arrival in Sindh reached 3.512 million bales on February 15, as compared to 2.135 million bales reported in the same period last year, an increase of 1.377 million bales or 64%. On a fortnightly basis, cotton arrival from Sindh remained almost unchanged.

Cotton is crucial for Pakistan's textile sector, which accounts for a lion's share of the country’s exports. The textile sector alone accounts for 3.4% of the Gross Domestic Product (GDP) of the South Asian country, as per the Asian Development Bank (ADB).

Pakistan’s textile group exports witnessed 24.73% growth during the first seven months (July-January) of the current fiscal year and remained $10.933 billion compared to $8.765 billion during the same period of the last fiscal year, shared data published by the Pakistan Bureau of Statistics (PBS) on Thursday.

On a year-on-year basis, textile group exports witnessed 17.29% growth in January 2022, when compared to $1.323 billion in January 2021.

Source: brecorder.com– Feb 18, 2022

HOME

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NATIONAL NEWS

Piyush Goyal plans for Commerce Ministry to get $2 trn exports by 2027

The Department of Commerce is set to undergo transformative changes towards evolving into a 'future ready' establishment of the Government with scaling up, strengthening, and infusion of 'new age' capabilities leading to an ecosystem which can achieve USD 2 trillion exports by 2027, according to a Ministry statement on Sunday.

A review exercise by Commerce and Industry Minister Piyush Goyal has called for revamping of the Department of Commerce, fortification, and consistent strengthening of trade and investment promotion bodies including the Directorate General of Foreign Trade (DGFT). With several emerging opportunities owing to shifts in global trade dynamics like rapid growth of services and disruptive potential of climate change, the Ministry has felt the need to proactively develop exports, build India's brand in global trade and undertake constant monitoring of exports in ensuring the achievement of targets on time.

The revamping of the Commerce Department is also aimed at further building on its strategic direction and aspirations for the next decade and moving from inherent traditional roles to new roles by re-engineering the operation model with enhanced 'new-age' capabilities. In line with this, the revamped Department will have a more coherent trade promotion strategy with clear targets and execution accountabilities.

There will be a strengthened negotiation ecosystem with the right expertise and robust end-to-end processes with clearly defined focus areas and institutions. An optimal mix of talent with specialists and generalists sourced from across private and government sectors to create an agile setup responsive to market opportunities and exporter needs via interlinkages across bodies is in the works.

According to a project report on the designing of a 'future ready' Department of Commerce, a dedicated 'trade promotion body' to drive overall promotion strategy, export targets, and execution is proposed to be set up. A stronger active role for missions in trade promotion for market intelligence leads generation and localized research has been envisaged. Strengthening negotiations via multi-skilled negotiation teams and separation between bilateral and WTO negotiations has been envisioned.

It has also been proposed to set up a 'trade remedies review committee' including the Ministry of Commerce and Industry, Ministry of Finance, and line ministries for transparency in investigations outcomes. Centralization and digitization of trade facilitation processes have been recommended to drive ease of compliance and scheme administration. Rehauling data and analytics ecosystem via centralized data management and embedded analytics capabilities in the Department of Commerce has been proposed.

A concerted push to strengthen brand India and re-enforce trade priorities is also one of the priorities of stakeholders in the review meeting which includes Secretary of the Department of Commerce BVR Subrahmanyam, CEO of NITI Aayog Amitabh Kant, Additional Secretary Rachna Shah, Director-General of DGFT Santosh Kumar Sarangi and other officials.

Source: business-standard.com – Feb 20, 2022

HOME

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India, UAE seal FTA; to raise bilateral trade to $100 billion in 5 years

Similarly, the UAE will have easier access India's metal, minerals and petroleum sectors. About 90% of India's goods exports to the UAE are likely to be covered by the FTA. It will help create about a million jobs in India.

India clinched its first free trade agreement (FTA) in over a decade on Friday, as it signed the Comprehensive Economic Partnership Agreement (CEPA) with the UAE, with both the sides pledging to boost bilateral trade to $100 billion in five years, from about $60 billion now.

India will gain greater, duty-free market access in many labour-intensive sectors, such as gems & jewellery, textiles & garments, leather and farm products. Similarly, it will have market acess in pharmaceuticals and engineering goods, among others. Similarly, the UAE will have easier access India's metal, minerals and petroleum sectors. About 90% of India's goods exports to the UAE are likely to be covered by the FTA. It will help create about a million jobs in India.

The CEPA was signed by commerce and industry minister Piyush Goyal and UAE's minister of economy Abdulla bin Touq Al Marri at a virtual summit attended by Prime Minister Narendra Modi and Crown Prince of Abu Dhabi Sheikh Mohammed bin Zayed Al Nahyan. Both the sides will now initiate due processes of ratification in the coming weeks.

"Both nations are entering a golden era of economic & trade cooperation with the signing of India-UAE CEPA," Goyal tweeted after the agreement was signed.

"Sky is the limit for our trade & economic ties as we commit to building a shared future & enhancing the prosperity of our people," he said.

India had identified more than 1,000 products across sectors, including gems & jewellery, textiles & garments, leather, spices, engineering goods, chemicals and poultry, where it wanted duty concessions from the UAE under the FTA. Both the sides started formal negotiations from September 23 last year.

While the UAE, India's third-largest export destination, currently imposes a 5% duty on textiles & garments and jewellery, certain steel products are taxed at 10%. These three segments alone made up 34% of India's $16.7-billion exports to the UAE last fiscal and 43% in the pre-pandemic year of FY20.

For its part, Abu Dhabi, too, has sought duty concession across broad range of products, including in food items such as dates and confectionary.

The FTA envisages several partnerships across sectors. It proposes investment zone in India for UAE firms and a dedicated India Mart in Jebel Ali Free Zone. Both the sides pledge to create opportunities for Indian investors in advanced industrial technology zones in Abu Dhabi, with focus on logistics, pharma, medical devices, agri, steel and aluminium. The UAE will also support India's energy needs and ensure affordable supplies. To boost cooperation in climate actions, both the sides agreed to set up a joint hydrogen task force to scale up technologies. India has also agreed to set up an IIT in the UAE.

Earlier this week, Gem and Jewellery Export Promotion Council chairman Colin Shah said the proposed FTA will help drive up India's gem and jewellery exports to the UAE to as much as $10 billion by FY23 from just $1.2 billion in FY21 (when the shipments were hit by the pandemic). The UAE accounts for 80% of India's plain gold jewellery exports and 20% of its studded jewellery shipments. Abu Dhabi is also a gateway to the entire West Asian region, Shah said.

The negotiations with the UAE are a part of India's broader strategy to forge "fair and balanced" trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after India pulled out of the China-dominated RCEP talks in November 2019. India is also engaged in talks with Australia, the UK and the EU for FTAs.

Source: financialexpress.com – Feb 19, 2022

HOME

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Boost to PLI Schemes: Govt may ease curbs on Chinese investments

There could be a relaxation of the curbs on investment by Chinese companies in key sectors on a case-by-case basis, official sources told FE. However, this will not apply to Chinese app firms banned by the government in 2020.

Sources said there has been a realisation in the top echelons of the government that the success of various production-linked incentive schemes (PLIs) hinges on ancillary industries, which are mainly based in China. Investments by these ancillary firms is necessary for the companies that have been selected under PLI schemes to relocate their manufacturing units from countries like China, Vietnam etc. to India.

Industry sources said the government has assured them that it will expedite approvals wherever required on a case-by-case basis. Top government sources said various administrative ministries have been sensitised towards this approach.

The IT hardware industry had earlier approached the government over issues relating to localisation in the PLI, among others. It had said since investment from China is technically not allowed, it will be difficult for the selected companies to set up manufacturing/assembly lines in India for components like PCBA, battery packs, power adapters, etc.

Since PLI is designed for the export market, to set up a manufacturing hub in India, global players need to shift not only their base from external centres, but also the base of their suppliers. And problems arose since Chinese suppliers were not being given permission to invest in the country in the aftermath of the border tension between the two countries.

The IT hardware industry was particulalry hit by these hurdles, with the entire scheme threatening to be derailed. This was because the incentive structure in the PLI for this sector is low at an average of 2-2.5% over a four-year period, which does not justify relocating units from China or Vietnam.

Just for comparison, the incentive structure for mobile phones PLI, which got operationalised in August 2020, is 4.5% over a five-year period.

Since import duties on hardware products are nil as they fall under information technology-I products, manufacturers did not see much reason to relocate their base from China to India. Further, for any relocation of units, Chinese technicians would require visas to travel, where also the government had earlier hardened its position.

Government sources said going forward, as various other PLI schemes were formalised, issues relating to investments by ancillary units arose for smooth supply chain operations. Hence, it has been decided that the firms concerned approach their respective administrative ministries to resolve the issues.

Source: financialexpress.com – Feb 21, 2022

HOME

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India-UAE CEPA: Import duties on 90 per cent of Indian products to be immediately eliminated

Exporters of textiles, engineering goods, gems and jewellery optimistic about increasing their market shares

The UAE will extend zero duty access to 90 per cent of goods exported from India from the first day of implementation of the India-UAE Comprehensive Economic Partnership Agreement (CEPA), possibly in April or May this year, widening market opportunities for a large number of labour-intensive sectors including garments & textiles, gems & jewellery, engineering items, plastic products and pharmaceuticals.

The CEPA, signed by Commerce and Industry Minister Piyush Goyal and his UAE counterpart Abdulla bin Touq Al-Mari on Friday, seeks to increase bilateral trade to $100 billion in five years time, and is likely to create an estimated 10 lakh jobs in India.

India's part

India, on its part, will eliminate tariffs on about 65 per cent of tariff lines on the first day of implementation and has also agreed to give the UAE a tariff rate quota in gold imports that would allow 200 tonne of gold to be imported every year with a one per cent concession in import duties, said Commerce Secretary BVR Subrahmanyam at a press briefing on Saturday.

The free trade pact will be further deepened over the next decade with the UAE set to eliminate import duties on 97 per cent of tariff lines in the next five years while India will bring down tariffs to zero on 90 per cent of items over ten years. "The economies of India and the UAE are complimentary to each other. What they make we don't and what they make we don't. So it is a win-win situation," Subrahmanyam said.

India will, however, continue to insulate 10 per cent of tariff lines, identified as sensitive items, from duty cuts as it could hurt the economy and livelihoods, the Secretary pointed out. The sensitive items include dairy, fruits & vegetables, cereals, automobiles, auto parts, coke, dyes, soap, food preparation, toys, natural rubber, tyre, footwear, plastic, medical devices and copper.

The UAE is India's third largest trading partner after the US and China and a major exporter of oil to the country. Bilateral trade was at about $60 billion in the pre-pandemic year of 2019-20. It had fallen to $43 billion in 2020-21 hit by the Covid-19 but is recovering again with total trade in April-October 2021 period at close to $40 billion.

Biggest gain

One of the biggest gain for India in the FTA was that UAE was giving duty free access to its market for domestic jewellery, the Commerce Secretary said. There was a five per cent duty on Indian jewellery and now, it is being reduced to zero opening huge opportunities, he said. The same is true for a number of other setors such as the apparels and textiles sector which had a 5 per cent duty disadvantage compared to smaller economics such as Bangladesh and Vietnam that were getting duty free access in the UAE.

"With India supplying $1,515 million of apparel to the UAE as against its total imports of $3,517 million, Indian apparel exports contribute a decent share of 43 per cent. The trade pact would result in a drop of 5 per cent import duty for Indian ready made garments further strengthening its dominant position," said Narendra Goenka, Chairman, Apparel Export Promotion Council. The UAE has been the third largest export destination for engineering items despite the constraint of average 5 per cent import duty on them, pointed out Mahesh Desai from the EEPC. "With the duty now coming down to 'zero' we see the share of engineering goods in UAE's total import increasing at a fast pace," said Desai.

Source: thehindubusinessline.com– Feb 19, 2022

HOME

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A good start

The announcement of a trade deal between India and the United Arab Emirates (UAE) cannot come as a complete surprise, as officials have been saying for some time that negotiations —although they were officially started only in September 2021 —have been proceeding quickly. Yet the fact is that this is a major step forward in that it is the first new trade agreement signed since Prime Minister Narendra Modi took office in 2014.

For most of this government's tenure, it has been noticeably reluctant to move India's trading relations forward. Most notably, it withdrew from the Regional Comprehensive Economic Partnership (RCEP) shortly before that giant trade deal was to be signed. But the UAE trade deal, being called a comprehensive economic partnership agreement, or CEPA, is being sold as one of a set of such agreements that will mend the image of the government, which was heretofore seen as having turned inwards in matters of trade.

The country is India's third-largest trade partner, with its ports, especially Jebel Ali, serving as major trans-shipment hubs for Indian trade. This explains why claims are being made, including by ministers, that it opens up trade to Africa as well.

Certainly, it must be seen alongside large-scale attempts by UAE-based companies to create markets for goods, including Indian goods, within the new African free trade area. Aspects of the CEPA are clearly of interest. For one, it includes regulatory aspects, which India has never been a big fan of, including in trade deals although they have become commonplace worldwide.

On this occasion, the UAE has agreed that pharmaceutical products produced in India that have cleared regulatory processes in high-capacity administrative states in the Western world will receive time-bound approvals in the Emirates.

Similar questions tend to be raised in New Delhi about trade deals that include opening up government procurement, but the CEPA allows for companies in one country to bid for state contracts in the other. It is also the UAE's first trade deal, and some argue that it might be a prelude to a broader agreement between India and the countries of the Gulf Cooperation Council, or GCC.

Yet significant questions remain. Worries that trade will harm domestic producers continue to animate some Indian policymakers, reflected in the assurances built into the CEPA that high imports will mean that safeguards can be set up. Indian officials have stressed that the CEPA will favour labour-intensive sectors in India, hoping no doubt that it will mean that export-linked jobs will grow. Yet there is no alternative, if job growth is the end, to embedding India more firmly in global value chains.

It is not clear how far the CEPA will go in enabling this transition. Certainly, it does not counteract the negative effects of choosing to sit out the RCEP. The larger question is how the remaining deals on New Delhi's plate — limited though they are, and focused on Western partners —will help integrate Indian producers with supply chains. Swifter regulatory shifts within India and harmonisation with procedures elsewhere must be the priority. It is too soon yet to declare that New Delhi's attitudes to trade have shifted, but certainly there are more grounds for optimism now.

Source: business-standard.com – Feb 20, 2022

HOME

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Building bilaterals over trading blocs

GoI's first comprehensive free trade agreement (FTA), with the UAE since the Modi government came to power in 2014 expects to more than double bilateral trade to $100 billion in the next five years, from $43.3 billion in 2020-21. Two-way trade with the country's third-largest trading partner (after the US and China) had peaked at $59 billion in 2019-20 before the pandemic struck.

India expects $26 billion of exports, including gems and jewellery, textiles, leather, engineering, pharmaceuticals and automobiles, will receive a fillip once the 5% import duty is waived by the Gulf nation. The UAE has offered to eliminate duty on more than 97% of the products it imports from India, and big gains are seen in the gold and textiles trade.

This treaty departs from the previous ones India has signed by incorporating safeguards against import surges and channelling third-country products through the duty-free route. The deal with the UAE is the first of a series of FTAs GoI is negotiating as it targets $500 billion exports by March 2023. Timelines have been advanced for talks with Britain and Australia, and negotiations are on with Canada, Israel and the Gulf Cooperation Council (GCC).

The bilaterals represent a shift in strategy from joining trading blocs that has delivered mixed results. India's experience with its treaty with the Asean led it to pull out of the larger Regional Comprehensive Economic Partnership (RCEP), a grouping of Asia Pacific nations that would serve as a free market for Chinese manufacturers. India is now targeting bilateral agreements with its biggest trading partners. While this may not be optimal from a world trade perspective, it holds out the prospect of putting its exports on a faster track.

Source: economictimes.indiatimes.com– Feb 20, 2022

HOME

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MOOWR defeats purpose of duty hike on capital goods

The government has raised the customs duty on import of some capital goods and issued notifications to raise the customs duty on many more capital goods in due course of time. The government has also kept alive the provisions that will enable many manufacturers to avoid paying the import duty on capital goods altogether.

The government says that it has started removing many exemptions to capital goods for various sectors like power, fertilizer, textiles, leather, footwear, food processin---g and fertilizers because they have hindered the growth of the domestic capital goods sector. Most capital goods would attract 7.5% basic customs duty, except some advanced machineries that are not manufactured within the country. This would create employment opportunities, result in increased economic activity and double the production of capital goods by 2025, says the government.

However, Sections 58 and 65 of the Customs Act, 1962 read with Manufacture and Other Operations in Warehouse (No.2) Regulations, 2019 (MOOWR) allow import of capital goods, even second hand capital goods, without payment of basic customs duty (BCD) and Integrated Goods and Services Tax (IGST). Such imports at zero duty are not subject to any export obligation. So, even the manufacturers who are engaged only in the manufacture of goods for domestic market can take the benefit of zero duty import of capital goods. They need to pay the duty (without interest) on the capital goods only at the time of their clearance in the domestic tariff area (DTA).

If they re-export the capital goods after using them for a few years, they can avoid payment of the duties. These provisions allow import of even all inputs such as raw materials, components, consumables etc. without payment of duty at the time of imports. Payment of duty on inputs (without any interest) is necessary only at the time of clearance of goods manufactured in the bonded warehouse into the DTA.

Interestingly, the MOOWR does not restrict exporters from taking advance authorisations or authorisations under the Export Promotion Capital Goods (EPCG) scheme even if they have taken a license under Sections 58 and 65 of the Customs Act, 1962 for manufacture under bond. Still, the MOOWR is not very popular with many exporters because they cannot get the benefits of duty drawback at All Industry rates and under the Remission of Duties or

Taxes on Export Products (RoDTEP) scheme. Also, the exporters are not sure that the government will not amend the MOOWR to suit its convenience.

Even so, many manufacturers without any exports or who use mainly duty free inputs for export production are considering the MOOWR scheme because they can import capital goods without payment of any import duties. So, the domestic producers of capital goods are facing the prospects of more manufacturers opting for the MOOWR scheme and thus losing altogether the protection that the import duties give them, whether the duty rates are 7.5% or 10% or even higher.

Quite obviously, the government wants to give more protection to domestic capital goods producers by raising the import duties and also wants to defeat that very objective by allowing duty free import of capital goods under the MOOWR scheme. While such a phenomenon is not unusual in the government, the capital goods manufacturers do not seem to have noticed the contradiction. That is unusual.

Source: business-standard.com– Feb 21, 2022

HOME

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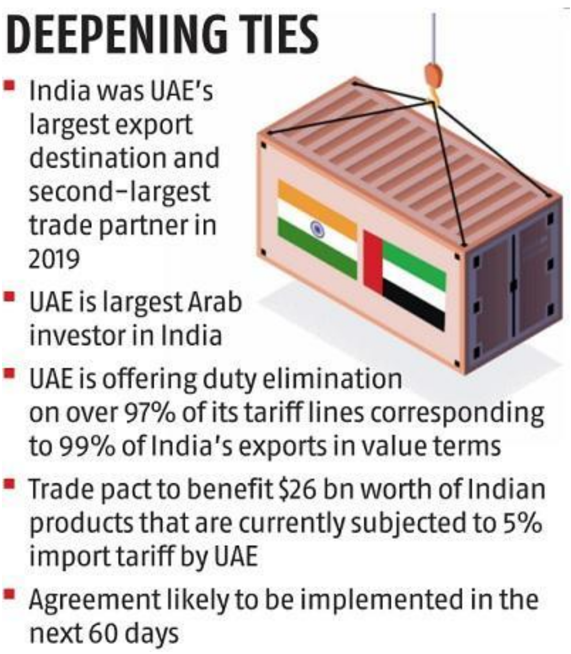
Strict rules of origin in India-UAE trade pact over routing concerns

The trade deal between India and the United Arab Emirates (UAE) has mandated stringent rules of origin conditions, with 40 per cent value addition required on exporting items to avoid routing of products manufactured in third countries to India via UAE.

In any free trade agreement (FTA), the rules of origin determine the criteria for which goods are eligible for free imports.



DEEPENING TIES

- India was UAE's largest export destination and second-largest trade partner in 2019
- UAE is largest Arab investor in India
- UAE is offering duty elimination on over 97% of its tariff lines corresponding to 99% of India's exports in value terms
- Trade pact to benefit $26 bn worth of Indian products that are currently subjected to 5% import tariff by UAE
- Agreement likely to be implemented in the next 60 days

Under this trade deal, there will be a need for substantial processing of up to 40 per cent value addition and a certificate of origin issued by the Ministry of Economy, UAE, said government officials.

Generally, in trade deals, the value addition is to the tune of 30-35 per cent. In the case of India-UAE Comprehensive Economic Partnership Agreement (CEPA), some high-valued items are excluded from such stringent value-addition requirements.

Moreover, a permanent bilateral safeguard mechanism has been agreed upon to deal with any sudden surge in imports of any product. Such a clause has been included to protect the domestic industry.

According to government officials, previous FTAs did not have enough safeguards to protect the domestic industry in case of surge in imports. This, according to them, led to a trade deficit with the Association of Southeast Asian Nations after signing the FTA.

This is the first time India is entering into a contract enforcing the country of origin, which will disable the circumventing of products from other countries through the FTA route.

India has kept items such as dairy, fruit, cereals, vegetables, tea, coffee, tobacco, dyes, soaps, footwear, petroleum, tyres, toys, aluminium scrap, copper, processed marble, among others, out of the trade pact with the UAE. There is also a separate exclusion list for some products, including dairy, tea, coffee, spices, sugar, and tobacco, to protect the domestic industry.

Areas where manufacturing has been robust and sectors wherein the government has rolled out production-linked incentive schemes have been put on the negative list, Commerce Secretary B V R Subrahmanyam had told reporters on Saturday.

India and the UAE on Friday signed a CEPA that is set to benefit nearly 90 per cent of India's exports, in terms of value. The pact is expected to kick in over the next 60 days, after the UAE completes its constitutional and legal processes.

The UAE is offering overall duty elimination on over 97 per cent of its tariff lines, corresponding to 99 per cent of India's exports, in terms of value. Indian exporters will get immediate zero-duty market access in labour-intensive sectors, such as leather, footwear, gems and jewellery, furniture, among others.

The trade pact is likely to benefit around $26 billion worth of Indian products that are subject to 5 per cent import duty by the UAE.

This is the first time the pact has included chapters on intellectual property rights, government procurement, and digital trade. "These (chapters) may be very small, but they will set the tone and convey India's desire to be a large global player," Subrahmanyam had said.

While digital trade will cover areas including paperless trading, personal data protection, and cross-border flow of information, the dispute settlement provisions will not apply to this.

The Federation of Indian Export Organisations President A Sakthivel said the trade deal will result in exponential growth in India's exports to the UAE and will open the market to other Gulf Cooperation Council (GCC) countries.

"GCC countries also follow the same technical standards as applicable to the UAE, paving the way for greater market access to Indian goods in the GCC market. This may be used as a template for similar agreements with GCC countries," said Sakthivel.

Source: business-standard.com– Feb 21, 2022

HOME

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Trade pact with UAE may benefit $26 bn worth of Indian goods: Official

The comprehensive free trade agreement between India and the UAE is likely to benefit about USD 26 billion worth of domestic products like gems and jewellery that are currently subjected to 5 per cent import duty by the Gulf nation, an official said.

Labour intensive industries such as textiles, leather, footwear, sports goods, plastics, furniture, agricultural and wood products, engineering, pharmaceuticals and medical devices, and automobiles would gain substantially from the pact.

The services sector segments which would get significant boost from the pact include computer-related services, audio-visual, education, health, tourism, travel, nursing, engineering, and accountancy, the official said.

India and the UAE on February 18 signed the comprehensive economic partnership agreement (CEPA) with a view to boosting bilateral trade in goods to USD 100 billion over a five-year period and creation of lakhs of jobs.

"While the UAE is already India's second largest export destination with exports valued at approximately USD 29 billion in 2019-20, CEPA with UAE is likely to benefit about USD 26 billion worth of Indian products that are subjected to 5 per cent import duty by the UAE," the official said.

As per estimates, exports of plain gold and gold-studded jewellery would increase to USD 10 billion in 2023 and tariff concessions offered to the UAE by India in products like gold will reduce the import cost of inputs. Additional increase in textiles exports is projected at USD 2 billion over the next five years.

"With duty free tariffs, India can cater to the hospital segment of the UAE through institutional selling of home textiles like bed and bath linen as well as contract textiles - beach towels, salon and spa linen etc," the official said.

Under the agreement, the UAE is offering overall duty elimination on over 97 per cent of its tariff lines (or products) corresponding to 99 per cent of India's exports in value terms.

"A breakthrough feature of this agreement is a permanent safeguard mechanism which has been agreed upon and can be resorted to in a situation of sudden surge in imports. This is the first time India is entering into a contract enforcing Country of Origin which will disable the circumventing of products from other countries through the FTA route," the official added.

Besides, there is a separate exclusion list for some products to protect the domestic industry. Goods in that list would remain out of the ambit of the pact. Tariffs Rate Quotas (TRQs) offered by India to the UAE on certain items of its export interest will be only reviewed after 10 years.

Source: business-standard.com– Feb 20, 2022

HOME

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India's industrial activity expected to pick-up: Crisil Research

India's industrial activity is expected to gather pace in the coming months owing to a gradual pick-up in consumption as well as investment demand.

Notably, the latest Index of Industrial Production (IIP) printed at 138 (index reading) in December 2021, representing a 0.4 per cent on-year growth, down from 1.3 per cent growth in November.

"While there was an improvement in the momentum i.e., sequential or on-month movement of industrial activity in December - likely reflecting some easing of raw material supply disruption - it was not very robust," Crisil Research said.

"Softness in both consumption and investment demand kept industrial, especially manufacturing, growth subdued."

Besides, the slowdown in on-year IIP growth to 0.4 per cent in December, from 1.3 per cent in November, reflected weaker manufacturing activity which, at 77.6 per cent, is the largest component of IIP.

"To be sure, the slowdown is also the result of a high base (as IIP had risen in December 2020 over November 2020)."
Segment wise, manufacturing IIP declined 0.1 per cent on-year in December, whereas mining and electricity grew 2.6 per cent and 2.8 per cent, respectively, containing the decline in overall IIP growth.

"The weakness in manufacturing growth was in sync with the Purchasing Manager's Index, which eased to 55.5 in December from November's 57.6. That said, strong export performance did some counter-balancing."

Furthermore, the use-based classification of IIP suggests weakness in both investment and consumption demand.

However, Crisil Research, said: "Industrial growth fell in January due to rising omicron cases. This could also have slowed demand a bit, and caused some logistical disruptions.

"Beyond that, going ahead, industrial activity is expected to gather pace for two reasons. One, raw material shortages are slowly getting addressed, and consumption and investment demand are expected to gradually pick up."

The second reason it cited was that government is expected to step up Capex, which should give a lift to the manufacturing of infrastructure-related products and services.

"That said, high commodity prices and their impact on manufacturing activity will remain the monitorables in the road ahead."

Source: business-standard.com– Feb 19, 2022

HOME

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India-UAE trade pact to boost apparel exports, employment, say exporters

Implementation of the comprehensive free trade agreement between India and the UAE would help boost the country's exports and creation of lakhs of jobs, according to exporters. Welcoming the signing of the Comprehensive Economic Partnership Agreement (CEPA) between India and the United Arab Emirates (UAE) on Friday, Apparel Export Promotion Council (AEPC) Chairman Narendra Goenka said that it will further strengthen India's dominant position in the UAE.

"With India supplying USD 1,515 million of apparel to the UAE as against its total imports of USD 3,517 million, Indian apparel exports contribute a decent share of 43 per cent. The trade pact would result in a drop of 5 per cent import duty for Indian readymade garments. This will further strengthen the dominant position of Indian apparels in the UAE," Goenka said. He added that Indian apparel exports to the UAE also cater to the needs of Saudi Arabia, Kuwait, Bahrain, Oman and the UK.

Federation of Indian Export Organisations (FIEO) President A Sakthivel said that the pact will be beneficial to Indian exports particularly for the labour-intensive sectors like agriculture and processed food including meat and marine products, gems and jewellery, apparel and textiles, leather and footwears.

"Having a large Indian diaspora, the UAE consumes a large quantity of Indian cereals, fruits and vegetables, tea, spices, sugar, etc. Indian companies will gain in services like travel & tourism, transportation, IT and ITES and construction services," he said. Sharing similar views, Vikramjit Sahney, Chair of India-Arab Council, said that the pact is set to reduce tariffs for 80 per cent of goods and gives zero duty access to 90 per cent of India's exports to UAE.

"Annual bilateral trade should increase from the current level of USD 60 billion to USD 100 billion and would augment Indian exports of gems and jewellery, textiles, leather, pharmaceuticals and engineering goods," Sahney said. "India giving tariff concessions to UAE on gold and UAE eliminating tariffs on Indian jewellery will augment exports. The UAE investment in India will increase manifold especially in health, infrastructure and renewable energy," he added.

Council for Leather Exports Chairman Sanjay Leekha said that the UAE is one of the key markets for the sector and it would also give access to certain EU countries and Africa. “The pact would help in boosting exports and creating jobs,” Leekha said. Plastics Export Promotion Council of India (PLEXCONCIL) chairman Arvind Goenka said that currently India’s annual imports of plastic raw materials are USD 14 billion and imports from the UAE are USD 800 million, so trade for plastics between India and the UAE is poised for a multi-fold growth due to this pact besides creation of about 2 lakh jobs in the sector.

“India’s MSME industry will be the main beneficiary. Availability of cheaper raw materials as preferential import duty being offered by India will empower them to compete against cheap imports of finished plastic goods. Preferential access to the UAE market, as lower import duty is being offered for value added plastics and further access to WANA and CIS countries, will increase plastics exports by at least 300 per cent by 2023-24,” Goenka said.

Founder chairman of Technocraft Industries India Sharad Kumar Saraf said the agreement has the potential of adding at least USD 2 billion in India’s exports. “It will also strengthen our ties with the UAE . Indian diaspora in the UAE will play a vital role in Indo UAE trade,” he added. FIEO Vice President Khalid Khan too said that the pact will help boost bilateral trade between both the countries.

“It will benefit both goods and services. 90 per cent goods exports will have duty-free access to the UAE which is the biggest trading partner after the US and China and getaway to the Middle East and African countries,” Khan said.

Kolkata-based marine exporter Yogesh Gupta said that this is a historic event paving the way for larger economic ties and the trust between India and the UAE. “It will have a long term effect on diplomatic relations as well. A move in the right direction,” he said. India and the UAE on Friday signed the trade pact after concluding negotiations in a short time of 88 days. The pact aims to take the two-way commerce to the USD 100 billion mark in over five years and create about 10 lakh jobs in sectors such as apparel, plastic, leather and pharma.

Source: financialexpress.com– Feb 19, 2022

HOME

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Tirupur exporters are bullish on CEPA agreement with the UAE

Exporters from Tirupur say that the deal can help them compete with China and Bangladesh

Knitwear exporters from Tirupur in Tamil Nadu are bullish as exports from the 'Dollar Town' could possibly bounce back strongly with India signing the Comprehensive Economic Partnership Agreement (CEPA) with the UAE on Friday. Tirupur exports nearly half of the India's knitwear to the UAE.

The highest recorded knitwear exports to the UAE from India was in 2016-17 with a value of ₹14,293 crore with Tamil Nadu contributing nearly half of the total exports. However, thereafter the exports to UAE started declining year-on-year to nearly half due to demonetisation and the introduction of GST, said exporters in Tirupur.

Exports of knitwear, including T-shirts, sarees and innerwear, from India to the UAE in 2020-21 was ₹6,756 crore. In the first nine months of the current financial year, the knitwear exports clocked ₹5,280 crore, said S Sakthivel, Executive Secretary, Tirupur Exporters' Association (TEA).

'Morale booster'

"The long-pending bilateral CEPA agreement is a booster and a great opportunity for us to increae exports as more business is coming to India post the Covid pandemic. The opportunity needs to be properly tapped for which industries are getting ready by themselves. This kind of policy supportive intervention will boost the morale of the efforts taken by the industry," said TEA President Raja M Shanmugham. "We hope the CEPA will help us to regain the loss of exports to UAE and be beneficial to exporting units in Tirupur," he added.

TEA has originally set a target for Tirupur knitwear business reaching ₹1 lakh crore in 2020 itself but got postponed to 2024 due to the Covid pandemic. The signing of CEPA revives the 'feel good factor' among the exporters and with this positive direction, they are confident of achieving the target in 2024. "We are hopeful of double the value of exports from Tirupur to around ₹7,000 crore in next five years," he added.

Competing with China, Bangladesh

DM Kumar, CEO, Eastern Global Clothing, Tirupur, said that post CEPA, Indian textile products will not be subjected to 5 per cent import duty by the UAE. This is a huge saving for them. “We should take advantage of this and start exporting more and use Dubai as a hub to keep the inventory to enable buyers from other countries like Eastern Europe and Africa to pick up the stock just-in-time,” he told BusinessLine.

Clients from Eastern Europe countries like Ukraine, Latvia, Romania, Poland and Bulgaria, and from many African countries regularly visit Dubai to procure their requirements. China has been using Dubai as a hub and has been supplying them. “However, we can now compete strongly with China and capture the Eastern European and African markets,” he added.

R Sakthivel, MD of Daffodil Knitwear Pvt Ltd, Tirupur, which has its presence at Sharjah, says that the CEPA will help in competing with countries like Pakistan and Bangladesh that supply in large quantities to the UAE and Gulf region. “The agreement is a major initiative to tap the European market, and also Australia,” he added.

Source: thehindubusinessline.com– Feb 19, 2022

HOME

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Textile markets in India & Pakistan to benefit as China lose foothold

The loss of China's share in the textile market is likely to benefit neighbouring south Asian countries including India and Pakistan.

Speaking exclusively with KNN India, Animesh Saxena, MD of Neetee Clothings Pvt Ltd based in Gurugram cum President of industry body Federation of Indian Micro and Small & Medium Enterprises (FISME) said, " In general Textile and Apparel demand has been robust this year due to high demand from US and EU. Further due to restrictions and ban by the US on cotton export from China's particular region Xingxiang has resulted into additional business for other countries including India and Pakistan who has a strong Cotton production base".

Earlier this week, the India Ratings and Research (Ind-Ra) had reported that the textile demand is expected to speed up in FY23 as per reduction in logistics problems for export and with China losing it's textile value is another advantage for India.

Similarly, a domino effect is felt in the textile market trends of Pakistan where exports are buoyant as textile and garment exports from Pakistan increased by 24.73 percent year-on-year in dollar terms in the first seven months of fiscal 2021-22. During the period, Pakistan earned USD 10.933 billion from textile and apparel exports, compared to exports of USD 8.765 billion in July-January 2020-21, according to data from the Pakistan Bureau of Statistics.

Meanwhile, the value of textile machinery imports by Pakistan increased significantly by 77.50 percent year-on-year to USD 504.269 million during the seven-month period.

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

Whereas Chinese textile exports were USD 7.30 billion in January 2021, which dropped by 27.68 per cent to reach USD 5.28 billion in March 2021 and recovered again in Q2 2021 to reach USD 7.37 billion in June 2021 owing to the pandemic.

The upward shift of textile market for both India and Pakistan is a boost for the developing economies owing to the bottlenecks in China's business nudging the world economic order.

Source: knnindia.co.in– Feb 19, 2022

HOME

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How startups are restructuring bespoke clothing sector in India

In the Indian market, bespoke clothes have been around for a long time. It has been here for a long time, long before ready-to-wear apparel businesses entered the scene. Bespoke has existed for a long time in India, and until the late 1990s, the population of India wore tailored apparel. This was true until the arrival and growth of international and domestic fashion brands in the country, as well as the rise of ready-to-wear items, which have effectively replaced the bespoke category. Consumers are gradually moving away from traditional solutions in favor of more readily available alternatives.

Years passed, and bespoke resurfaced, with slight enhancements in some parts. This was due to the fact that there were still a few clients who had different product expectations than I had. Over ready-made garment firms and old-fashioned tailor-made garments, they demanded a better fit and quality. In reply to this new need for impeccably gorgeous apparel, the establishment of an organized custom clothing sector began on the high street shops of metro cities. With this comes superior quality and a better fit than traditionally fitted apparel, as well as a wave of new businesses entering the market.

These new business owners started companies that focused on giving an experience rather than just a product. The customized apparel sector has its share of obstacles, but it also has its share of potential, which is why new businesses are entering the market and attracting a slew of new clients. Earlier readymade labels, showrooms, and e-commerce marketplaces arose in India, clothing was usually sewn by a local tailor. Bespoke apparel is progressively gaining traction as a viable alternative to ready-to-wear businesses.

Bringing Technology and Fashion Together

New firms are embracing a technology-focused lean methodology to boost customer happiness by regularly testing their products, getting user feedback, and engaging with influencers. Because of the rapid advancement of fashion technology, firms are upgrading their supply chains, developing digital channels, and establishing relationships with customers, all while increasing revenue. With and without a physical store, COVID-19 has underlined the need of renewing your customer experience by adopting change and technology innovation.

The Bespoke Fashion and Clothing Industry's Digital Transformation

In the garment production process, a few fashion businesses are leveraging digitalization in VR/AR configuration, 3D design and graphics, Virtual Fitting and trial Rooms, Digital Apparel, AI Buyer Prediction, Testing, and employing Sustainable Materials. A bespoke clothes online marketplace is also being developed by a number of businesses to give a platform for buyers to select fabrics, accessories, and styles, as well as for designers, tailors, and manufacturers to connect with interested consumers for their products. The following are some of the characteristics that these internet marketplaces provide:

AI-powered product design

By scanning and analyzing millions of data on different social media platforms, marketers can now accurately estimate demand and customer trends, and then schedule their product releases accordingly, thanks to AI and data analytics.

3 D software and apps dedicated to Tailor-Made Clothing

Buyers may now take photos of themselves and post them to the 3D design app. The program will generate a 3D model that the customer might try on new clothes from their home, making it an ideal tool for customized apparel shopping. Other apps include bespoke apparel design in 3D view, quick order tracking with ERP, confirming orders via WhatsApp using a 3D engine, and a virtual QR textile sample book, among others.

Getting the Goods of Your Dreams

Buyers may now upload a photo of clothes from any source and identify the best appropriate product from the brand's website, thanks to visual AI, natural language processing, and tailored search engines.

Solutions for Augmented and Virtual Reality

AR and VR systems have greatly improved for serving customers remotely and for contact-free purchasing in retail stores. Bespoke clothing manufacturers may now provide customers with a 3-dimensional e-commerce experience that allows them to visualize and compare products from anywhere.

Startups in the bespoke clothes industry have distinct characteristics

At the moment, all fashion startups are attempting to build technology that will set them apart. They do so either internally or through collaborations with fashion brands that require that technology. Consumers have grown accustomed to trying on premade items that are just too tight or too loose thanks to the eCommerce fashion sector. Bespoke brands may now provide their customers with a one-of-a-kind purchase experience thanks to advancements in technology such as 3D modeling and digital body measurement tools.

Good, old-fashioned bespoke

On the other side, there are businesses that place a strong emphasis on their heritage and encourage the usage of traditional bespoke apparel. Buyers' fashion taste is shifting in a new path of self-expression. With the market's rapidly expanding selections, bespoke apparel incorporates all of a buyer's traits and personal preferences by providing unrestricted customization to meet the customer's wants.

The Indian bespoke business is booming, despite the introduction of numerous ready-to-wear firms in the apparel market. A wave of new firms, including regional and internet players, have emerged in recent years, but demand for bespoke clothing has remained consistent, indicating that the industry is here to stay and going to get bigger. Mass customization and personalized production will grow more as technology progresses, hastening the change in customer preferences toward bespoke. With more people preferring clean, custom-made clothing to ready-to-wear clothes, the segment is growing year over year and is set to become a fad in the future.

Source: thestatesman.com– Feb 19, 2022

HOME

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