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INTERNATIONAL NEWS

Turning Point Near for Global Trade?

Supply chain disruptions have dampened the strength of the rebound in global merchandise trade, but this could be starting to change as supply chain pressures show some signs of easing, the latest World Trade Organization (WTO) Goods Trade Barometer showed.

The current reading of 98.7 is below the barometer's baseline value of 100 and down slightly from November's reading of 99.5, indicating a loss of momentum in trade at the start of 2022 following last year's strong rebound in trade volumes. However, the index also shows signs of bottoming out, suggesting that merchandise trade could see an uptick soon even if it remains below trend in the near term, the WTO said.

In addition to ongoing supply chain disruptions, the barometer's weakness is partly explained by the introduction of health restrictions to combat the Omicron wave of Covid-19, which some countries are now scrapping since the variant's health impact has turned out to be relatively mild, the barometer report noted. "Relaxing these measures could boost trade in the coming months," the WTO said.

In the third quarter of 2021, merchandise trade volume growth slowed to 8.1 percent year-on-year due to base effects–trade had begun to recover in the second half of 2020–as well as a small quarter-on-quarter decline.

"Once statistics become available for the fourth quarter of 2021, they are likely to show even lower year-on-year growth, even if quarter-on-quarter growth turns positive again," the report said.

The volume of trade in the first three quarters of 2021 was up 11.9 percent compared to the first three quarters of 2020. This is above the WTO's most recent forecast of 10.8 percent from October, but slower year-on-year growth in the fourth quarter should bring the increase for the year more in line with the forecast, the WTO said.

Most of the barometer's component indices were close to their baseline value of 100 indicating on trend growth, the main exceptions being automotive products at 92 and container shipping at 97.2.

The container shipping index dipped further below trend and as port congestion remained an ongoing problem, but its slowing rate of decline could presage a turnaround in the near future, the WTO noted. Container throughput of major ports has plateaued at a very high level and purchasing managers indices show delivery times coming down gradually worldwide, but not fast enough for many producers and consumers.

The Goods Trade Barometer is a composite leading indicator providing real-time information on the trajectory of merchandise trade relative to recent trends ahead of conventional trade volume statistics. Readings of 100 indicate growth in line with medium-term trends, while values greater than 100 suggest above-trend growth and values below 100 indicate the reverse.

Source: sourcingjournal.com– Feb 23, 2022

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Omicron ripping through cargo ships may exacerbate shipping woes

Average shipment delays from China to the US west coast increased by 114 per cent

Omicron is ripping through cargo ships, raising concerns that a surge in cases, coupled with China's tightened quarantine requirements for vessels, could delay supply chain stabilisation for the shipping industry.

Covid outbreaks are hitting ships globally, with cases increasing "exponentially," said Francesco Gargiulo, CEO of the International Maritime Employers' Council Ltd., which represents shipping companies.

Anglo-Eastern Univan Group, which has an active crew of about 16,000, is seeing infections on five to seven vessels a month compared with only one or two a month last year, the company said.

Meanwhile, Wilhelmsen Ship Management Ltd. has had infections on four of its ships since January after less than a dozen vessels were struck with Covid in all of 2021, said Carl Schou, chief executive officer at the ship manager.

"Everyone has had cases onboard," said Mark O'Neil, the CEO of Columbia Shipmanagement Ltd., which operates a crew pool of about 15,000 and has seen a few of its ships struck down.

"You'll probably see the number of vessels worldwide affected by omicron increasing for sure because it's so contagious. That's despite measures and precautions being taken."

Though shipmanagers say the problem has been manageable so far, a sustained jump in cases adds pressure to supply chains already strained by the pandemic.

Ports from Shenzhen to Los Angeles and Rotterdam are contending with long lines of cargo ships, while a shortage of workers and drivers are adding to the snarls.

The disruptions are being made worse by strict controls at ports in China, which shows no signs of backing away from its policy of trying to eradicate Covid as the rest of the world resolves to live with it.

While cases are mostly mild among crew, who in most instances must be vaccinated, omicron spreads quickly through ships. That often triggers a quarantine of the vessel for as long as two weeks, although the length of a ship's quarantine can vary from shipmanagers, ports and countries. Wilhelmsen quarantines ships for two weeks in cases where infections have become widespread.

China Challenges

Chinese ports are especially challenging, with authorities requiring the entire ship to be quarantined if a single seafarer tests positive. Vessels stopping in China must also have been free of Covid for at least three weeks. On top of that, crew changes in China are still near impossible for foreign seafarers.

China's tightened Covid-19 quarantine requirements for vessels and reduced manpower at ports are adding to delays. It's taking a week to 10 days longer to deliver iron ore supplies into China versus before the pandemic, charterers and shipowners say.

According to data from project44, average shipment delays from China to the U.S. West Coast increased 114 per cent in 2021 compared with a year earlier. The route to Europe recorded a 172 per cent surge.

"Supply chain disruption persists," said Bjorn Hojgaard, Anglo-Eastern CEO and chairman of the Hong Kong Shipowners Association. "China's done a good job in preventing deaths and serious outbreaks but the reality is the international supply chain is suffering. There's no working around it."

China's zero-Covid approach could prove increasingly problematic at ports as more countries switch to living with the virus.

Key seafaring countries including India, the Philippines and parts of Europe are being hit by big rises in infections, according to a report this month from the Neptune Declaration coalition of shipowners and charterers.

Larger, faster

"This has caused large numbers of crew being infected, leading to postponed crew changes and increased local restrictions further complicating crew changes," it found.

Last month, about a hundred of Anglo-Eastern's seafarers tested positive right before embarkation, a jump compared to just a handful in the last quarter in 2021, said Hojgaard.

Bright spot

One bright spot is that seafarer vaccinations are rising, helping to keep symptoms mild. Many ship charters are now requiring that seafarers on vessels carrying their cargo be vaccinated, said Schou at Wilhelmsen, which also requires seafarers be inoculated.

"Luckily, no crew have needed to be hospitalised and it's just influenza-like symptoms that pass in a few days," he said. "As the world opens up, we'll get much larger, much faster waves of omicron."

Source: thehindubusinessline.com – Feb 23, 2022

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US brick-and-mortar sales grew faster than e-com in 2021: Govt data

US 2021 retail sales were worth $6.6 trillion—a 17.9 per cent rise from the 2020 figure. Brick-and-mortar stores grew faster than e-commerce for the first time, with the former growing at 18.5 per cent and the latter at 14.2 per cent. Last year was one of the strongest years in US retail history, growing more than twice as fast as any of the last 30 years.

That 14.2 per cent e-commerce growth is slightly above the typical annual growth rate, but much lower than the 31.8 per cent growth the sector witnessed in 2020, US Census Bureau data showed.

In 2019, e-commerce sales in the country comprised 10.7 per cent of all retail sales. During the pandemic in 2020, e-commerce grew to 13.6 per cent of all retail sales. In 2021, its share of retail sales dipped to 13.2 per cent.
US retail and food services sales for January 2022 were worth $649.8 billion, an increase of 3.8 per cent from the previous month and 13 per cent above January 2021, according to advance estimates adjusted for seasonal variation and holiday and trading-day differences.

Total sales for the November 2021-January 2022 period were up by 16.1 per cent from the same period a year ago.

The US Census Bureau recently announced the advance estimates of retail and food services sales for January this year.

The November 2021 to December 2021 per cent change was revised from down 1.9 per cent to down 2.5 per cent. Retail trade sales were up by 4.4 per cent from December 2021, and up by 11.4 per cent above last year.

Source: fibre2fashion.com– Feb 23, 2022

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More EU investment expected in Vietnam in 2022 in high-tech sectors

More investment from the European Union (EU) is expected into Vietnam this year in high-tech industries as well as green and sustainable businesses. European Chamber of Commerce (EuroCham) in Vietnam vice chairman Jean-Jacques Bouflet recently said the southern Binh Duong province is one of the three most important localities in EuroCham's cooperation programme in the country. This is expected to change the country's foreign investment picture.

In January, a working group of the chamber in Vietnam led by Bouflet visited the province to work on business and investment opportunities. Binh Duong, one of the country's top foreign investment destinations, is now expecting further EU investment in green economy, sustainable business, financial services, energy and logistics, according to Vietnamese media reports. In January this year, the ministry of planning and investment (MPI) announced that Vietnam attracted $2.1 billion worth of FDI, up 4.2 per cent on-year, of which foreign-invested enterprises increased $1.27 billion in their existing projects.

The increase is contributed through large investment from EU member countries. For instance, French funding in Vietnam in January alone reached $25.44 million, up from $2.28 million in January last year. German investment in Vietnam hit $12.77 million during the period, compared to $0.96 million in the same month of 2021.

The latest Business Climate Index shows—a periodic barometer of European business leaders and investors from EuroCham—European companies ended 2021 more optimistic about Vietnam's trade and investment environment.

As many as 43 per cent plan to increase their investment in the first quarter of 2022, compared to just 17 per cent three months ago. Likewise, more than one-third (38.5 per cent) intend to increase their headcount, up around 15 per cent, while over half (51.5 per cent) are predicting a rise in orders and revenue.

Source: fibre2fashion.com– Feb 23, 2022

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Vietnam seeks global support to meet energy commitments at COP26

Vietnam needs considerable international support in terms of concessional capital to take measures for concurrently ensuring national energy security and achieving net zero emissions by 2050, its minister of industry and trade Nguyen Hong Dien recently told British minister Alok Kumar Sharma, president for the 26th UN Climate Change Conference (COP26), who was on a visit to Vietnam.

Right after the COP26 meeting in the United Kingdom last November, his ministry started working to update the draft Power Development Plan VIII in a way that continues reducing coal-fired power generation and strongly developing gas-fired power generation, especially the liquefied natural gas (LNG)-fired one, so as to guarantee energy security and increase the capacity of using electricity from renewable energy sources, Dien said.

He added the government is also moving towards promoting renewable energy, especially wind and solar power, and balance power generation sources among regions.

Regarding the high financial demand to carry out Power Development Plan VIII towards net zero emissions by 2050, Sharma suggested funding be mobilised from public and private sources to invest in green infrastructure projects so as to realise the commitment made at the UN conference.

Minister Dien asked Sharma to help electricity businesses of Vietnam to access British and international financial sources, a news agency reported..

Vietnam also wants to receive technical assistance from developed countries to make plans on reducing the development of coal-fired power plants, control greenhouse gas emissions in the industry and trade sector, improve the country's capacity for implementing carbon evaluation mechanisms under the Paris Agreement on climate change, and enhance its capacity to carry out a competitive electricity retail market, Dien added.

The country needs more attention to green and low-carbon economic development to sustainably attract foreign direct investment (FDI), experts say. FDI inflow into Vietnam continued in January this year, with $2.1 billion, up by 4.2 per cent year on year.

A recent survey by the Japan External Trade Organisation (JETRO) showed that 55.3 per cent of the Japanese firms in Vietnam interviewed said they plan to expand their operations in the next one - two years.

But to boost economic growth and attract FDI sustainably and effectively, the country should pay more attention to digital transformation and green technology application to production and business activities, which will help manage climate change impacts and adapt to this global phenomenon, World Bank country director for Vietnam Carolyn Turk suggested.

Source: fibre2fashion.com– Feb 24, 2022

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Vietnam's merchandise trade balance in surplus in early 2022

Vietnam's merchandise trade balance is in surplus despite an export slowdown, while foreign direct investment (FDI) commitment and disbursement witnessed a robust start this year, according to the 'Vietnam Macro Monitoring' monthly report released by the World Bank. All major mobility indicators rose sharply ahead of the Lunar New Year on February 1.

The country's vaccination coverage surpassed 73 per cent of the population.

Industrial production continued to witness strong growth, though at a slower pace and with a mixed performance across various sub-sectors, while retail sales posted the first positive annual growth rate since the COVID-19 outbreak hit the nation back in late April last year.

The country attracted $2.1 billion of FDI commitments in January, an increase of 4.2 per cent on-year. Growth was driven by large investment in the expansion of existing businesses, particularly in electronics, and through active merger and acquisition activities.

The latter doubled in value in January compared to a year ago, reaching over $400 million, equivalent to a fifth of total FDI commitments, the World Bank report said.

Manufacturing continued to make up roughly three-fifths of total commitments, followed by real estates with 22.5 per cent. In addition, the disbursement of approved FDI projects continued to recover from their slump in the third quarter of 2021, thereby increasing by 6.8 per cent year on year in January.

Rising energy prices continued to be the main contributor to consumer price index inflation, while food prices remained consistently stable as they kept inflation in check.

Source: fibre2fashion.com– Feb 23, 2022

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Portugal, Slovenia seek direct shipping route to Bangladesh

The vista of direct container shipping from Bangladesh's Chittagong port to Europe seems to be expanding, with at least two more European countries expressing interest in directly transporting goods by sea from Chattogram. After an Italian firm launched such services this month, Portugal and Slovenia have also shown interest to follow suit.

M Shahjahan, chairman of the Chittagong Port Authority (CPA), told an English-language daily in the country that through the shipping ministry, embassy officials of Portugal and Slovenia separately sought virtual meetings with the CPA to launch direct shipping services with Chittagong port.

Shahjahan said he gave the same proposal to Anne Van Leeuwen, ambassador of the Netherlands to Bangladesh, and Danish ambassador Winnie Estrup Peterson, and both seemed positive in their response.

Export cargo from the country has so far been transported to Europe, the US and other destinations through four regional transhipment ports, including Colombo and Singapore as well as Tanjung Pelepas and Port Klang of Malaysia and some ports in China, by connecting to bigger mother vessels.

As both the time and cost in transporting in this way is more, businesses have long been seeking direct shipping services.

But the low draft in Chittagong Port that makes it difficult to accommodate big mother vessels remains the main obstacle to materialising their hopes.

However, an Italian freight forwarder, RifLine Worldwide Logistics Limited, with the help of its shipping concern Kalypso Compagnia di Navigazione SPA of Italy, has already launched direct services on the Italy-Chattogram route by deploying two smaller container vessels.

Under the service, Liberian flagged MV Songa Cheetah arrived here from the Italian port of Ravenna on February 5 and left two days later, taking away 952 twenty-foot equivalent units (TEUs) of export-laden containers.

Malta-flagged MV AST Malta is now en route from China and is expected to arrive in Chattogram on March 2 to take some export cargoes to the Italian port of Ravenna.

The vessel is one of two vessels operated by RifLine Worldwide on its direct service between China and Ravenna.

Source: fibre2fashion.com– Feb 23, 2022

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Patenga terminal to open at Bangladesh Chittagong port in June

The newly built Patenga container terminal in Bangladesh Chittagong port will get operational in June, according to Chittagong Port Authority (CPA) chairman Rear Admiral M Shahjahan, who recently said the terminal can handle 145 million twenty-foot equivalent units (TEU) containers annually. The port is capable of handling 50,000 TEU containers now.

Shahjahan said this while meeting ambassador of the European Union (EU) Charles Whiteley, Italian ambassador Enrico Nunziata and a delegation of the Bangladesh Garments Manufacturers and Exporters Association (BGMEA), according to Bangladeshi media reports.

Now there are 39,000 TEU containers at the port. Once the Bay Terminal and Patenga Terminal are opened, it will help enhance the capacity of the port, the CPA chairman said.

Source: fibre2fashion.com– Feb 24, 2022

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Peru launches probe into excess imports hitting textile-apparel sector

Peru has launched an investigation into alleged excess imports that is undermining the commercial health of its textile-apparel industry. It comes after the country's Commission on Dumping, Subsidies and the Elimination of Non-Tariff Trade Barriers reported serious injury to the domestic apparel sector, including its internationally important alpaca segment.

Affected parties can comment on the investigation till February 24.

The commission said clothing imports between 2016 and 2020 rose by 253.8 per cent, and are still rising. In 2021 January-June, they rose by 8.9 per cent year on year (YoY). As a result, between 2016 and 2020, clothing imports grew their share of the Peru apparel market by 13.4 per cent, increasing it by another 2.9 per cent YoY in January-June 2021, according to reports from Latin America.

Government agencies blamed suppliers from China and Bangladesh as causing the most problems through by raising exports to Peru, with the objective of the safeguard duty being to give local 'pymes' (small-and-medium-sized enterprises) and mipymes (micro-enterprises) a fair chance to compete with clothing giants from Asia.

The Peruvian government has claimed maintaining one of the lowest tariff and non-tariff restrictions for the import of clothing worldwide during the last five years, which has eased the increasing flow of imported garments to its market.

Source: fibre2fashion.com– Feb 23, 2022

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Bangladesh: Textile millers demand duty, VAT cut for man-made fibre

Textile millers yesterday demanded the withdrawal of tax on the import of man-made fibre and reduction of VAT on the sales of the item in the local markets as the consumption of the artificial raw material is rising globally.

Currently, local spinners can avail the duty-free import of only four types of man-made fibre upon receiving certification from the Bangladesh Textile Mills Association (BTMA). But businesses import 21 more varieties of artificial fibre paying taxes.

The textile millers also called for halving the value-added tax on the sale of a kilogramme of manmade fibre yarn to Tk 3 from Tk 6 now as they also pay Tk 3 on the sale of cotton-made yarn, according to a proposal of the BTMA.

The association submitted the proposals to the National Board of Revenue (NBR) for incorporation in the budget for the upcoming fiscal year of 2022-23.

Mohammad Ali Khokon, president of the BTMA, presented the proposals during a meeting with Abu Hena Md Rahmatul Muneem, chairman of the NBR, at the latter's office in Dhaka.

The textile millers also proposed the government withdraw the 1 per cent duty on the import of capital machinery.

"The government should also continue the 15 per cent income tax on textile production-related companies up to 2030 as the current tenure is coming to an end June 30," the association said.

Moreover, the government should withdraw the 2 per cent tax levied on the purchase of cotton from the local markets as many spinners buy the textile raw material from the local market during any shortage.

The BTMA suggested scrapping the 15 per cent VAT on the sales of pet chip textile as the use of artificial fibre and yarn is increasing in Bangladesh.

Speaking at the same meeting, the leaders of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), demanded the

withdrawal of VAT on all kinds of goods related to export-oriented garment industries.

While presenting the proposals, Mohammad Hatem, executive president of the association, called for continuing a logical source tax on export receipts and fixing the corporate tax for green garment factories at 10 per cent and for non-green factories at 12 per cent, all for five years.

He said the 10 per cent tax on cash incentives should be withdrawn, while the duty on the imported products needed to set up central effluent treatment plants should be zero, according to a press release of the BKMEA.

Source: thedailystar.net– Feb 24, 2022

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NATIONAL NEWS

GDP advance estimates may be cut to 8.6%, says India Ratings

The National Statistical Office's (NSO's) second advance estimates for FY22, due on February 28, may peg the current fiscal year's real gross domestic product (real GDP) growth at 8.6 per cent, compared with 9.2 per cent projected in the first advance estimates, India Ratings said on Wednesday.

The reason for this likely downward revision, according to the ratings agency, is the recent upward revision in FY21 GDP contraction, to negative 6.6 per cent from negative 7.3 per cent.

"India Ratings' estimate suggests that the second advance estimates may peg the FY22 real GDP growth at Rs 147.2 trillion.

This would translate into a GDP growth rate of 8.6 per cent YoY for FY22 compared to 9.2 per cent forecast on January 7. The major reason for the likely downward revision in GDP growth is the upward revision of FY21 GDP to Rs 135.6 trillion in the first revised estimate of national income," the agency said.

India Ratings said that according to the revised estimates, the GDP growth in FY20 now stands at 3.7 per cent compared to 4 per cent earlier.

Furthermore, the GDP growth of FY19 remains the same at 6.5 per cent.

The growth rates of GDP drivers from the demand side — namely, private final consumption expenditure (PFCE), government final consumption expenditure (GFCE) and gross fixed capital formation (GFCF) — have undergone a change.

"Due to these revisions, quarterly GDP growth numbers are also expected to undergo a change. As the FY20 GDP growth has been revised downwards, we now expect GDP growth of all the four quarters of FY20 to be lower than the present estimates. This would mean a likely upward revision of FY21 and downward revision of FY22 quarterly GDP numbers," India Ratings said.

The agency's estimate shows that GDP growth in Q1 and Q2 of FY22 may decline by 90-110 basis points than estimated earlier.

And, the figures in Q3 and Q4 of FY22 may come in at 5.6 per cent and 5.1 per cent, respectively. This is down from 6 per cent and 5.7 per cent estimated earlier.

"All this may appear quite confusing, but estimation of GDP is a fairly elaborate and time-consuming exercise. It takes about three years to finalise the GDP data," the agency said.

The direction in revisions suggests that, generally, during the years of stable/upswing in GDP growth, advance estimate tends to underestimate the actual GDP growth rate. It does just the opposite during the years of downswing.

This apparently happens because the first advance estimate of a particular fiscal year is based on the extrapolation of the select dataset of the previous year's provisional estimates, the ratings agency said.

"However, we believe that the period considered is too short for arriving at a firm conclusion. This aspect needs to be studied for a much longer period, preferably 30 years. Also, growth revisions for the pandemic year such as FY21 should be viewed carefully and the exogenous shock, which the economy has faced, cannot be modelled/factored in any estimation process," it said.

Source: business-standard.com – Feb 24, 2022

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Why is the trade deal with UAE a significant step for India?

On February 18th, India and the United Arab Emirates signed the Comprehensive Economic Partnership Agreement or CEPA, which is the first free trade agreement finalised by the Narendra Modi-led government since it came to power in 2014. (VO 1) The deal was negotiated in a record 88 days and will come into force from May.

It aims at increasing the non-oil trade between the two countries to $100 billion in five years from $45 billion 2021. The UAE is currently India's third-largest trading partner and the second-largest export destination, after the US. While India is the UAE's second-largest trading partner and the largest in terms of exports.

The trade pact is expected to benefit around $26 billion worth of Indian products that are subject to 5% import duty by the UAE. The UAE will remove customs tariffs on nearly 80% of the goods, which account for 90% of India's exports to the Gulf nation by value.

India expects CEPA to generate 10 lakh jobs across labour-intensive sectors such as textiles, gems & jewellery, leather, footwear, pharma, agriculture products, medical devices, sports goods and automobiles.

Not just goods, CEPA also covers 11 service sectors and over 100 sub-sectors, which include business services, telecommunications, construction, education, tourism, nursing, finance among many others. The agreement is wide in its scope and includes areas like government procurement, digital trade and intellectual property rights.

To protect the interests of domestic producers, 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.

The trade deal has also provided a permanent safeguard mechanism, which will protect exporters and businesses from both countries from any unwarranted surge in volumes of any particular product. But the deal comes with stringent rules of origin conditions.

At least 40% value addition has been mandated for most goods to avoid routing of products manufactured in third countries to India via UAE. For the first time in a trade agreement, the CEPA provides for automatic registration and marketing authorisation of Indian generic medicines in 90 days, once they are approved in any of the developed countries. India has given duty concessions on gold imported from the UAE, while Indian exporters will get zero duty access to the UAE market for jewellery. This assumes significance as the two countries account for over 16% of the global trade in diamonds, gold, and jewellery.

India is looking to enter into a similar agreement with the Gulf Cooperation Council during this this year itself Amitendu Palit spells out the larger importance of the deal beyond the trade aspects and explains how it marks a change in India’s approach towards international trade policy India had pulled out of Regional Comprehensive Economic Partnership, the world’s biggest free trade deal signed by 15 Asia-Pacific economies in November 2020 over worries that cheap Chinese imports would flood the Indian market harming domestic producers.

It also faced opposition from farmers, especially the dairy industry. India’s manufacturing sector is less competitive in several categories when compared to many other Asian countries. India also wanted stricter rules of origin in RCEP. India’s concerns are not misplaced.

Analysis by a national daily showed that between FY11 and FY21, exports to nine countries and two trading blocs, with which India has trade agreements, grew 36% to $62 billion while imports from these countries grew 44% to nearly $75 billion, doubling the trade deficit to $11.8 billion from $5.8 billion in a decade.

India is rushing to finalise mutually-beneficial early harvest deals with the countries it is negotiating FTAs that would exclude sensitive issues until a full-fledged FTA is finalised. While CEPA is a good start to help increase the integration of Indian producers with global supply chains, it does not make up for the negative effects of India choosing to sit out of the RCEP.

Source: business-standard.com – Feb 23, 2022

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Free Trade Agreement: India to finalise terms of FTA with Gulf Cooperation Council soon; talks with Canada in March

India has also started talks with Israel for a trade pact.

Close on the heels of its free trade agreement (FTA) with the UAE, India has expedited the pace of talks with several partners, including other members of the Gulf Cooperation Council (GCC), Australia, the UK and Canada, to firm up a raft of "fair and balanced" trade deals and enable domestic exporters to take advantage of a rebound in global growth.

Official sources told FE that the country will likely get into a pact with the GCC nations in the next fiscal. Both the sides will finalise the terms of reference (ToR) in March. The comprehensive economic partnership agreement (CEPA) with the UAE will serve as a template for the fast conclusion of this deal.

In fact, some of these nations want to sign a pact at the earliest. Interestingly, the GCC group had dithered on whether to seal an FTA with India a decade ago. It comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

Official sources told FE that sources said Canadian trade minister Mary Ng will likely visit India on March 11 to hold talks with commerce and industry minister Piyush Goyal and revive the FTA negotiations.

Goyal held talks, via video conference, with his Australian counterpart Dan Tehan again on Monday to "tie any loose ends" to an interim trade agreement that is at an advanced stage of fruition. This is to be followed up with a broader FTA with Australia. This would be the second deal to be signed by India, after its CEPA with the UAE, which was, in fact, New Delhi's first shot at an FTA in over a decade.

Similarly, negotiations with the UK are progressing well, said one of the sources. India has also started talks with Israel for a trade pact.

The negotiations are a part of India's broader strategy to sign "balanced" trade agreements with key economies and revamp existing pacts to boost trade. The move gained traction after New Delhi pulled out of the Beijing-dominated RCEP talks in November 2019.

FTAs are also central to India's efforts to raise its merchandise exports to as much as $1 trillion by FY27, against just $292 billion in FY21 when the pandemic hit global supply chains. However, the country is on course to realise a record export target of $400 billion this fiscal, as global demand for merchandise improved dramatically.

The IMF last month forecast global trade volume to grow by a decent 6% in 2022. It rose 9.3% last year but that was driven primarily by a sharply contracted base (-8.3%) in the wake of the outbreak of pandemic in 2020.

Source: financialexpress.com – Feb 24, 2022

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Turning to trade winds: On India-UAE Comprehensive Economic Partnership Agreement

A little over two years after it turned its back at the last minute on a major multilateral trade agreement it had spent years negotiating, India last week announced the signing of a Comprehensive Economic Partnership Agreement with the United Arab Emirates (UAE).

The free trade pact is a tacit acknowledgment that India needs to strengthen its trade ties with existing partners by lowering tariff walls and obtaining more favourable access for its exports in order to boost trade and economic output. With the COVID-19 pandemic having thrown into sharp relief the public health and economic vulnerabilities of an increasingly interconnected world, a reflexive urge to turn inward was evident in the last two years as nations imposed tight travel and entry restrictions in a bid to protect their populations.

And ironically, even as India sought to promote atmanirbharta or self-reliance, the pandemic also depressed domestic consumption demand, dragging down overall economic output. Exports on the other hand have rebounded strongly, with growth outpacing even the pre-pandemic levels. It is in this backdrop that the Government's renewed push to negotiate its bilateral free trade agreements is a welcome change in tack and signals that India is keener to strengthen trade ties with individual partner countries on equitable terms rather than be tied into multilateral pacts that do not necessarily address its key concerns.

That the accord was finalised in less than six months' time, from the start of negotiations in September, is a testimony to the strength of the bilateral ties and the recognition that there is more to gain from a deepening of the relationship. The UAE is already India's third-largest trading partner with bilateral trade in 2019-20 valued at $59 billion.

While India's exports amounted to about $29 billion in the pre-pandemic fiscal year ended March 2020, the UAE supplied India with $10.9 billion worth of crude oil in that period and counts New Delhi as its second-largest trading partner. The two partners now aim to leverage the free trade deal to lift bilateral merchandise trade to $100 billion over the next five years.

While the fine print of the tariff concessions on both sides is yet to be spelt out, India has made it clear that a range of exports including textiles and jewellery are set to benefit from a zero-duty regime once the accord is formally operationalised by May.

Two-way investment flows and remittances — a major source of foreign exchange earnings for India given the large Indian workforce in the UAE — are also expected to receive a fillip. With multiple other FTAs in the pipeline, India has a fresh opportunity to reset its trade ties with the international community, one accord at a time.

Source: thehindu.com – Feb 24, 2022

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Sanctions on Russia: Exporters to urge govt to weigh alternative payment modes

Under the rupee-rial mechanism, Indian refiners used to import crude oil from Iran and make payments to the designated rupee-account at Uco Bank and IDBI Bank.

Amid growing fears of mounting western sanctions on Russia in the wake of the Ukraine crisis, jittery Indian exporters are planning to approach the government to put in place a mechanism to ensure their payments are not stuck even if more sanctions are imposed on Moscow.

The mechanism can be modelled on the rupee-rial architecture that was used to clear payments to domestic firms when the US had slapped sanctions on Iran, sources at two state-backed export promotion councils told FE. Since India has a trade deficit with Russia, in certain cases, a barter system can also be activated easily, he added.

Under the rupee-rial mechanism, Indian refiners used to import crude oil from Iran and make payments to the designated rupee-account at Uco Bank and IDBI Bank. This continued until crude oil was in the exempted list of US sanctions.

India's exports to Russia grew 36% on year until December this fiscal to $2.55 billion but its imports jumped 81% to as much as $6.89 billion, leading to a trade deficit of $4.34 billion for New Delhi. India mostly buys petroleum products, diamonds and other precious stones and fertilisers from Russia. Similarly, it ships out capital goods, pharmaceutical products, organic chemicals and auto parts to Moscow.

"These are early days and we don't expect much of a problem as yet. However, we need to be prepared for any eventuality, using past experiences," one of them said. The crisis has prompted domestic exporters to tread cautiously on firming fresh supply contracts with Russian importers.

The US has announced new economic sanctions that target two major Russian financial institutions and five Russian oligarchs in response to what it calls Moscow's escalating aggression against Ukraine. US President Joseph Biden has also warned that "if Russia goes further with an invasion, we stand prepared to go further as with sanctions."

European foreign ministers have agreed to sanction 27 individuals and entities, including banks financing Russian decision-makers. The UK has imposed sanctions on Gennady Timchenko and two other billionaires with close links to Russian President Vladimir Putin, and on five banks – Rossiya, IS Bank, GenBank, Promsvyazbank and the Black Sea Bank.

However, analysts say the impact of the latest set of measures against Russia will likely be limited, and western nations are keeping the much larger sanctions packages that they have planned in reserve should the crisis escalate. American lawmakers had earlier suggested that Russia could be removed from SWIFT, a network that connect thousands of financial institutions around the world, if it invades Ukraine.

Source: financialexpress.com – Feb 24, 2022

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Relentless rise in cotton prices a hurdle to textile exports revival

If India's exports of textiles and garments recovered quickly this fiscal from the lows of the pandemic-hit FY22, lucrative orders may elude them in FY23 due to an inexorable rise in the prices of cotton, a key raw material, and its yawning shortage in the domestic market.

While shipments continue to be strong due to orders won earlier, the spectre of a slump in exports is staring at textile and garment firms as new orders are hard to come by. This is at a time when the global markets are vibrant and poised to remain so in the near term, thanks to industrial resurgence in key markets like the US and European Union.

Conventionally, during the January-February period, mandi arrivals of cotton peak and remain in the range of Rs 2.5-3 lakh bales (one bale is 170 kg), but this year has been quite an exception. According to trade sources, cotton arrivals in markets across key producing states – Telangana, Andhra Pradesh, Karnataka, Gujarat, Maharashtra, Madhya Pradesh, Haryana, Punjab and Rajasthan – have seldom crossed Rs 1.5 lakh bales in last the two months.

And prices are skyrocketing – in many key markets these are ruling at three times the minimum support price – given the estimate an year-on-year decline in the production of the key natural fibre. There are also unconfirmed reports of farmers resorting to hoarding stocks, in anticipation of a further rise in prices.

In fact, an up to 80% spurt in cotton prices in the past one year has pressured margins of textile and garment firms. Most firms are struggling to pass on the rise in raw material costs to consumers. Yet, India's exports of textiles, garments and allied products jumped 52% until December this fiscal from a year before to $31 billion, albeit on a sharply-contracted base.

This has forced the manufacturers across the textile value chain – from spinning mils and weaving units to garment makers –to seek the abolition of an import duty on cotton (effectively to the tune of 11%, including cesses) and the creation of a strategic reserve of about 10-15% of market supplies by the government to help stabilise prices.

RS Jalan, managing director at GHCL Ltd, told FE that while high cotton prices will help farmers and somewhat boost rural disposable income, from the textile industry's perspective, they have created a challenge for the entire value chain as "it is difficult to pass on the cost to the consumer". "Also, the duty imposed

on imported cotton is making India non-competitive in the global markets, which will surely be counter-intuitive in the long run," Jalan said.

Narendra Goenka, managing director of Texport Industries and chairman of the state-backed Apparel Export Promotion Council (AEPC), apprehended that it would be difficult to maintain a high export growth rate in the next fiscal. "Overseas buyers have started scouting for alternate destinations to broaden their supply base for fear that elevated input costs in India would push up prices of garments," he said. Apparel companies, in such a scenario, may be forced to absorb much of the rise in costs themselves, he added.

Raja M Shanmugham, managing director of Warshaw International and president of the Tirupur Exporters' Association, said the relentless rise in cotton prices over the past 15 months has made it difficult for companies to honour orders, typically booked 3-6 months before, without taking a massive hit on their balance sheets. "We are also finding it difficult to change the price tags of products so frequently. Our cash flow has been hit very badly. Moreover, the garment industry is dominated by MSMEs, whose capacity to absorb inputs cost pressure is even more limited. So, we are requesting finance minister Nirmala Sitharaman to raise the individual loan limit under the Rs 4.5-lakh-crore guaranteed loan scheme by up to 20% to help the MSMEs cope with their liquidity issue," Shanmugham said.

According to second advance estimates of cotton production by the ministry of agriculture, the country's cotton output is estimated to decline by more than 3% to 34 million bales in the 2021-22 crop year from 35 million bales in the previous year. "Cotton prices had first crossed the Rs 9,200 per quintal during Diwali itself and in the next few months the prices crossed Rs 10,000 per quintal mark," Manish Daga who runs `CottonGuru' a cotton advisory firm, said.

Anand Poppat, a cotton trader based out of Rajkot says that the while market arrivals are low, there is an increasing trend of traders directly picking up raw cotton from farmers as they save on mandi taxes, transport and labour charges. Most garment exporting units are MSMEs which are labour-intensive and vulnerable to several external factors. Rising raw material costs have also created inter-segmental conflicts in the industry. "There is a continuous spike in cotton yarn prices. The government should step in to bring stability to raw material prices," said Raja M. Shanmugham, president, The Tirupur Exporters' Association (TEA), which represents the garment units in the industrial township.

India's cotton prices are also impacted by global supply situations. International cotton prices have risen to 120 cents per pound in the 2021-22 cotton season (October-September) as against 85 cents per pound in the previous season since the crop size in USA and other markets has reduced. Pradeep Kumar Agrawal, chairman and managing director of Cotton Corporation of India (CCI), the agency which procured 95 lakh bales in 2019-20 and 105 lakh bales in 2020-21 at MSP, says that the agency has not had to intervene in the market this year as prices remained above the MSP levels.

Seeking the intervention of Prime Minister Narendra Modi to come to the rescue of the labour-intensive industry, T Rajkumar, director of Sakthi Group and chairman of the Confederation of Indian Textile Industry, has asserted that the removal of the import duty on cotton won't hurt farmers. This is because the industry has been predominantly importing speciality cotton, including extra-long staple cotton, to meet the needs of certain niche segments of buyers on a long-term basis, he added.

Spot prices of cotton were in the range of Rs 15,000–Rs 15,400 a quintal as against the minimum support prices of Rs 5,726/quintal (medium variety) and Rs 6,025/quintal (long staple). The price of ICS-105 variety of cotton in largest producing state of Gujarat were ruling at Rs 77,000 per candy of 356 kg each, up as much as 70% from a year earlier, according to the Cotton Association of India data. In case of some other varieties, the rise is about 80% over the past year.

Cotton ginners are also bearing the brunt of rise in prices of the fibre. "It has become difficult for ginning units to run business, says Pradeep Jain, president, Khandesh Gin/Press Factory Owners Association. Maharashtra has around 800-1000 ginning units that are currently running at 50-60% capacity and many of these may have to shut down soon, BS Rajpal, president, Maharashtra Cotton Ginners Association said.

Source: financialexpress.com– Feb 24, 2022

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Poly-cotton yarn prices in India may go up due to hike in crude oil

Polyester-cotton yarn segment in India may witness steep hike in prices as Brent crude oil skyrocketed and neared to $100 per barrel. The rise in crude oil prices is due to worries of supply disruption mainly because of escalation in Russia-Ukraine tension. This will result in costlier polyester staple fibre (PSF) and polyester-cotton (PC) yarn. Ashwini Chhabra, a prominent trader from Ludhiana, told Fibre2Fashion that PC yarn prices did not witness price rise in the last one week as weak demand from fabric manufacturers did not support the market. But PC yarn may now see upside trend as crude oil price is rising due to recent geo-political developments.

Crude oil reacted sharply in international market as traders feared supply disruption from Russia, which is major supplier to the world market. The US and Europe have already started announcing sanctions against Russia. "Earlier, PC yarn was getting support from the rise in cotton prices. But now the situation seems to have been reversed. Cotton and cotton yarn prices softened in the last two weeks. But PC yarn will find support from hike in crude oil prices, which will push up prices of cotton yarn also.

However, subdued demand from garment manufacturers may affect market sentiments. PC yarn prices depend on the price fluctuation of polyester spun fibre and cotton. PSF prices were increasing regularly due to rise in crude oil. PSF has become costlier by about 8 per cent in February itself," according to Chhabra. In Ludhiana, the country's most prominent man-made yarn market, PC combed yarn (48/52) was sold at ₹290-300 per kg. PC carded yarn (65/35) was priced at ₹240-250 per kg, while PC (recycled) yarn O/E (40/60) was traded at ₹223-225 per kg. Acrylic NM (2/48) was priced at ₹340-345 per kg, and acrylic NM (2/32) at ₹280-285 per kg.

RK Vij, advisor (Polyester Business), at Indorama Synthetics (India) Ltd, the leading PSF producer in the country, told Fibre2Fashion that the prices of purified terephthalic acid (PTA) and monoethylene glycol (MEG) increase when prices of crude oil go up. This in turn increases the price of PSF. Indorama's PSF (1.4 Denier) was currently ruling at ₹120 per kg, compared to ₹116 per kg on February 15 and ₹112 per kg on February 1, according to Fibre2Fashion's market insight tool TexPro.

Source: fibre2fashion.com– Feb 23, 2022

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Global fashion and lifestyle brands to scale up play as Covid wanes

German sandal maker Birkenstock plans to open 25 outlets in India this year, while Italy's Pianoforte Group is looking to roll out about 20 stores each of the Yamamay and Carpisa brands in the next two years. After rolling out its India webstore last year, Victoria's Secret is making its India brick-and-mortar debut with a 4,000 sq ft outlet in Delhi's Ambience mall and the lingerie seller is scouting for spaces in other malls.

After a pandemic-induced lull of two years, many global retail brands and newcomers to India are stepping on the gas to expand operations here.

Retail has been one of the hardest hit sectors in the pandemic with dwindling sales in stores as consumers shunned malls and high streets and made purchases online – that too mostly of non-discretionary spending. Many of the retailers now say the worst is behind them.

"We know that the pandemic is on the downhill now. Most of the countries have lifted the bans and restrictions and there is no requirement of RT-PCR for incoming tourists in many countries including India," said Rohit Malhotra, chief executive of Jay Jay Capital & Investments that is opening about a dozen shop-in-shops and standalone outlets this year of global sportswear and athleisure brands of Lonsdale London and sports equipment company Everlast. "It's the right time to expand as markets are opening up and people want to go out. Once people go out, they bring motivations to the malls and the markets."

Jay Jay Capital is ready to open three stores of Gloria Jeans Coffee as the Australian chain is making a re-entry into India.

The pandemic hit Birkenstock's India plans after making its debut here in early 2020. Now, the maker of sandals – which are also popular among Hollywood stars and celebrities including Kendall Jenner, Reese Witherspoon and Charlize Thero – is planning to aggressively expand here this year, sources said.

Varun Bagadiya, director of Element Retail, said his company would open ten Birkenstock franchisee outlets this year in cities including Bengaluru, Mumbai, Pune, Ahmedabad, Surat and Thiruvananthapuram.

Hennes & Mauritz plans to add H&M Home shop-in-shops to most of its existing four-dozen stores in India. H&M runs a 25,000 sq ft store in Select Citywalk Mall in New Delhi and people in the know said the shopping centre is creating about 3,000 sq ft of additional space for the Swedish retailer to house H&M Home products.

Retailers said the pandemic has prompted many brands to either reduce or close many stores to cut down on costs and operate efficiently. So, the overall mall space has become cheaper by 10-20% in most cases, said Malhotra of Jay Jay Capital.

“The market has done a course correction in rentals and this view holds for the year 2022,” said Kirti Khosla, marketing agent for Milan-based Pianoforte, which is expanding its Yamamay and Carpisa stores. “We expect the rent rise to happen only after 2023.”

Source: economictimes.com– Feb 23, 2022

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