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INTERNATIONAL NEWS

USA: Are Ocean Carriers Giving Exporters the Shaft? FMC Wants to Know

Ocean carriers are being asked by the Federal Maritime Commission (FMC) to offer more details on how they serve U.S. exporters as the federal agency expands the scope of an audit that began last summer.

The FMC's Monday announcement comes amid increasing concern that carriers are bypassing exports in favor of expediting empty containers back to Asia for importers.

Eleven carriers will be asked to provide more details on their export services.

FMC chairman Daniel Maffei said the aim is to identify which carriers are servicing exporters well and which ones have room for improvement. The inquiry is in addition to notice that the FMC intends to have disputes brought by exporters flagged as priorities.

"If the shipping companies continue the cooperative attitude they have by and large shown the Audit Team to date, I am confident we can make progress on some of the issues that have frustrated exporters," Maffei said in a statement.

Maffei went on further to say "I will not rule out any action within the bounds of the law that helps us achieve that goal."

The FMC's audit program, which began in July, initially focused on late fees charged by carriers, called detention and demurrage. The audit, to date, has included information from the nine largest ocean carriers on those fees, including quarterly reporting to the FMC.

The expansion of the audit program's focus is one of a number of levers the government is pulling in its scrutiny of ocean carriers, which have been criticized for charging record-high freight rates.

A Senate version of the Ocean Shipping Reform Act of 2021, which passed the House in a 364 to 60 vote in December, is currently being considered. The bill would hand more oversight power to the FMC, stop carriers that

pass up exporters in favor of importers, and apply greater scrutiny around late fees. Proponents of OSRA21 and the Ocean Shipping Reform Act of 2022 (OSRA22) in the Senate say it modernizes current law and has won support from fashion industry trade groups.

The American Apparel & Footwear Association (AAFA) on Tuesday pressed the Senate to approve OSRA22, calling it an industry priority that addresses shipping cost increases and creates fairness in ocean shipping.

"Our industry has been hit hard by the shipping crisis. Long delays, contract breaches, price gouging and excessive and unjust fees by carriers and lack of access to equipment to move our product have resulted in huge delays and exorbitant costs that have translated into surging inflation that threatens our economic recovery," AAFA president and CEO Steve Lamar said in a statement.

The Senate is also weighing proposed legislation, called the Ocean Shipping Competition Reform Act of 2022, that would strip carriers of their anti-trust legal immunity and expand the types of parties that can join anticompetitive lawsuits filed by the FMC to include shippers and ports among others.

FMC commissioner Carl Bentzel issued his own statement on the matter Monday, saying he remains "troubled about the expanding imbalance of cargoes imported into the United States versus those exported."

Bentzel cited a portion of the Shipping Act that says carriers are not allowed to "unreasonably refuse to deal or negotiate" with exporters and said payment data on imports and exports indicates an imbalance.

"Though the maritime industry is successfully carrying record volumes of import cargoes, there are mounting indications that service to the import trade might have come at the exclusion of U.S. exporters," Bentzel said. "Earlier this month, I visited the Port of Long Beach to assess certain entrants in the U.S. ocean carrier trade lanes. I am concerned these carriers are providing only import service and choosing to transport empty ocean containers back to China instead of export shipments."

Carriers are being asked by the FMC to provide how many loaded and empty containers they carried back to Asia, supplying information that goes back to June 2021.

"Pop-up carriers," a reference to new ocean liners in the market, and their practices around U.S. exports are also part of the expanded audit.

The FMC said that will include five shipping lines.

"New entrants to the market—including the so-called pop-up carriers—have all the same responsibilities as companies that have served the U.S. trades for decades," Maffei said. "We are especially interested in how the identified companies plan to serve the U.S. export market and how those business models comply with requirements under statute."

Sea-Intelligence, a Copenhagen-based supply chain research and advisory firm, said in February ocean shipping services from non-alliance members for the transpacific trade, or voyages from Asia to the West Coast, steadily rose over the past 18 months to now account for 35 percent of capacity.

Alliances are partnerships among two or more ocean carriers, sharing resources to offer joint services on different routes.

In the past, non-alliance carriers handled anywhere from 15 percent to 20 percent of container capacity between 2012 and 2020. That's changed for the transpacific trade.

The growth is something Jon Monroe, who runs ocean shipping and supply chain consultant Jon Monroe Consulting, pointed to as one of the more interesting trends he's seen in his 35 years working in the industry.

"When you look back, everybody that had a ship longer than 40 feet must have pointed it towards L.A. and put a container on it, because everybody wants to be in this business and I think carriers created this opportunity by not honoring their contracts," Monroe said, speaking earlier this month at the TPM22 Conference in Long Beach, Calif., of the rise of non-alliance carriers.

Although, the rise of non-alliance capacity may prove a shipping alternative with more stability for shippers, not much is known about them, which Monroe suggested is to avoid pressure from the larger carriers.

"I think the bigger carriers are trying to put a squeeze on the smaller carriers and they can do that," Monroe said. "They can do that through controlling of terminals and berths and whatnot. So I think [non-alliance carriers are]

just looking to be able to slowly build their case in the market, and I think it's here for good."

Vincent Clerc, chief executive of ocean and logistics for A.P. Moller-Maersk, said at that same TPM event that Maersk is "in the market for the long run," when asked to weigh in on the number of non-alliance operators entering the transpacific trade.

Source: sourcingjournal.com – Mar 22, 2022

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US drought pushes cotton prices to ten-year high

Cotton prices rose to their highest level in more than a decade on Monday, due to a prolonged drought in parts of the central United States.

The plant fiber reached $1.3171 per pound (about 453 grams) on the key US futures contract, the highest since July 2011.

Rainfall has been exceptionally low since early January in the northwest part of Texas -- which produces about 40 percent of all US cotton production.

Depending on the region in the United States, cotton is planted from March to June, so there is uncertainty in the market about size of this year's crop, according to John Robinson, a professor at Texas A&M University and cotton specialist.

Many are already comparing the current weather conditions to 2011, when US cotton producers experienced their worst drought ever and prices rose as high as $2.27 per pound.

The drought this time is hitting an already tight market because of a pandemic-related increase in demand for cotton textiles as people spend more time at home.

In addition, there has been a demand increase in China, by far the world's largest producer and importer.

Another contributing factor is the soaring price of pesticides, which are widely used on cotton farms and are derived from petroleum.

While high cotton prices were expected to lead to a sharp increase in US acreage, the cost of pesticides is expected to limit that growth, Arlan Suderman of broker StoneX told the local PBS station in Iowa.

Added to that is a wave of speculative buying, driven by accelerating prices, Robinson said.

Source: tbsnews.net – Mar 22, 2022

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New lockdowns, restrictions in China can worsen disruptions: Flexport

As supply chain congestion and delays caused in part by the ongoing COVID-9 pandemic in China have not yet subsided, the new lockdowns and restrictions announced recently in Shenzhen, Shanghai and Souzhou have the potential to significantly worsen disruptions, according to US-based freight forwarding and customs brokerage company Flexport.

As a result, the world may see further price hikes and deeper delays in the days and weeks ahead, Flexport said in a press release.

It is fair to assume that cargo originating in Shenzhen will remain in place for at least the next week. Many factories are also being closed during this lockdown period, with announcements to this effect already being made by major regional shippers Foxconn, Flextronics and others, the company noted.

Some factories are open, but they cannot utilise the space as their industrial parks are not allowing third-party truckers from outside of their home city to enter and pick up the goods.

Ocean carriers have not confirmed any blank sailings in Yantian as of March 15. They are busy evaluating their top beneficial cargo owners and volumes booked by non-vessel operating ocean freight contracts for the coming two weeks.

Ocean freight ports and terminals are currently still operating in China but ports cannot operate with just ships coming in. They need workers and truck drivers to move products out of warehouses.

With workers being confined to their homes, disruptions are imminent. There are no immediate actions on the part of carriers in the region—they are collecting information on the impact on their clients before announcing further actions, the company said.

Air freight is seeing less immediate impact as cargo is not being held at airports. However, with staffing becoming a growing concern, that's expected to change soon.

The border is shut down for all commercial air cargo between Shenzhen and Hong Kong. This closure is expected to last for a minimum of a week; however, estimates are for a longer period which may extend to two to four weeks, Flexport said.

This is already placing increased demand on alternate routes, increasing market rates on these routes. Linehaul services between provinces will be subject to quarantine measures, therefore limiting routing options. Air options may be further impacted by additional trucking restrictions in the coming days.

Trucking operations still continue in China but with various dependencies, such as depot, shippers' loading location. While trucking operations are being allowed to continue, quarantine guidelines between cities and provinces make market capacity unpredictable, it said.

Flexport foresees the overall trucking operational efficiency in China will be significantly reduced due to the requirements for frequent nucleic acid testing (NAT), especially in Hong Kong, Shenzhen, West Pearl River Delta, Shanghai, Yangtze inland ports, Qingdao and Tianjin. As a consequence, market capacity is very unpredictable at this moment, it added.

Source: fibre2fashion.com– Mar 23, 2022

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China's export container transport index drops in Feb

The average China Containerized Freight Index (CCFI) dropped by 0.2 per cent to 3,504.56 in February 2022, according to official data by the Shanghai Shipping Exchange. The sub-reading for the South America service dipped by 9.3 per cent from the previous month, while that of the Southeast Asia service went down 8.9 per cent month-on-month in February.

On the other hand, the sub-reading for the Europe service gained 4.2 per cent month-on-month, as per the Shanghai Shipping Exchange.

The CCFI tracks spot and contractual freight rates from Chinese container ports for 12 shipping routes across the globe, based on data from 22 international carriers, said Chinese media reports.

Source: fibre2fashion.com– Mar 22, 2022

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US textile & apparel executives discuss trade policy at roundtable

At a recent roundtable, the US and Central American textile and apparel executives and investors discussed trade policy priorities that support economic development in the region and bolster a co-production chain that supports over 1 million textile workers. US textile companies have made billions in investments with historic investments made this year.

The National Council of Textile Organisations (NCTO) in conjunction with regional textile industry associations hosted Jose Fernandez, under secretary of state for economic growth, energy and the environment, at the roundtable in Tegucigalpa, Honduras.

The under secretary's visit with leading apparel and textile manufacturing companies in the US and across the region comes at a critical time, when the global supply chain has broken down and demand for ethical and sustainable sourcing is growing, presenting new opportunities for significant growth and expansion to the Western Hemisphere and out of Asia, NCTO said in a press release.

Textile and apparel executives with a significant stake in this co-production partnership, as a result of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), held a roundtable discussion highlighting the need for policies that continue to support the onshoring and nearshoring of this critical supply chain, which has spurred significant job growth and economic development in the region and the United States.

Hundreds of millions of dollars of investments have been flowing into Central America, predicated on the US-CAFTA-DR agreement and the co-production chain that facilitates $12.5 billion in two-way textile and apparel trade.

"We sincerely appreciate under secretary Fernandez's visit and discussion with textile and apparel companies today in Honduras, which underscores the Biden administration's commitment to this critical manufacturing sector that has formed the backbone of economic development in Central America. The U.S. textile industry has invested over $20 billion dollars in the U.S. and billions more in the hemisphere over the last decade to grow economic opportunities in the U.S. and in the region," NCTO president and CEO Kim Glas said.

"In the midst of an ongoing global health crisis, the US and Central American co-production chain continues to make sustainable investments that strengthen supply chain resilience; creates job opportunities and investment in the US and the region; and mitigates the environmental and labour impact linked to Asian supply chains, as momentum grows for onshoring and nearshoring textile and apparel production," Glas added.

Source: fibre2fashion.com– Mar 22, 2022

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Shipping Lines To Skip Colombo Port

The absence of appropriate container transport vehicles to bring containers within and move them out is causing the Colombo Port to become increasingly congested. This is expected to exacerbate the situation for shipping companies that will avoid Colombo in order to avoid delays.

Due to the paucity of fuel in the local market, container transporters have increased their charges by 60% and limited the number of vehicles that drive even inside the Western Province to 35%, according to Container Transport Association President Sanath K. Manjula. These vehicles are the only way to transport containers between the port's terminals and to transport cargo to and from the port.

He stated that they have not been given any priority in obtaining fuel, and as a result, they are forced to wait in long lines for up to two days at a time. In the last month and a half, there had been delays in inter terminal trucking, or the movement of containers between ports.

However, with fewer container transport vehicles on the road, the situation has worsened to the point where some containers have failed to load onto their connected vessels. Missing connections in this manner is a big worry, according to industry experts, who add that not putting cargo into vessels especially at a time when ships are completely loaded means they are missing a chance.

Source: maritimegateway.com– Mar 21, 2022

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Nike's Vietnam Factories Return to Normal as Transit Times Worsen

Nike's factory partners in Vietnam may have returned to pre-lockdown production levels, but continued shipping delays are still preventing the company from meeting marketplace demand. In the case of North America, transit times actually worsened in the third quarter, chief financial officer Matt Friend said Monday on a call with investors to discuss Nike's third-quarter earnings results.

Transit times are now six weeks longer than pre-pandemic levels and two weeks longer than the same period last year, Friend said. Versus industry averages, however, Nike has been able to mitigate the impact by "nearly four weeks," he noted. The company has taken "numerous actions" to address these challenges and protect against even greater lead times, Friend added, including moving forward its buying timelines for the fall selling season.

Nike's North America inventory levels were up 22 percent year over year at the end of the third quarter ended Feb. 28, with in-transit inventory representing 65 percent of total inventory. The company's overall inventories, meanwhile, grew 15 percent to $7.7 billion. Friend described current marketplace demand as "significantly" above inventory supply, noting that "growth in the third quarter would have been even higher if we had greater quantities of available inventory."

In a Nutshell: After four years of cutting ties with wholesalers amid a refocus on direct to consumer—it reduced its number of wholesale accounts by more than 50 percent over that period—it appears Nike has found its sweet spot. According to Friend, the company has "finished communicating the big account pivots" and is now moving into "the next phase" in its marketplace strategy.

"Our go-forward growth plans are aligned with our wholesale partners," Friend said. "Wholesale partners play an integral role in our future marketplace, first, to authenticate our brands and then to create scale of distribution through a consistent consumer experience across a larger retail footprint."

Last quarter, Nike unveiled a new partnership model that will allow shoppers to benefit from membership perks in partner stores. This strategy, president and CEO John Donahoe said, “recognizes the importance of onboarding members in stores, which in turn accelerates in-store conversion and improve[s] customer lifetime value.”

“We will continue to build strategic partnerships with our wholesale partners, in particular around the ability to link our membership program so that consumers know that Nike knows who they are, even through the wholesale channel,” Donahoe said. In Greater China, this model will take Nike “into a new era of marketplace transformation,” according to Donahoe. This quarter, it extended the model globally via two new connected retail partners in the country: Topsports and Pou Sheng. Moving forward, “all of our existing contracts” with Nike partnered stores in the region will follow this connected membership model, Donahoe added.

The CEO also took time to highlight Nike’s relationship with one particular wholesale partner—Foot Locker. In its own earnings call last month, the retailer revealed that Nike would be pulling back on shipments.

The brand has recently accounted for the overwhelming majority of Foot Locker’s products, including 75 percent in 2020 and 70 percent in 2021. This year, however, it expects Nike will represent 60 percent of its total mix. In the long term, the retailer believes the brand’s share will sit between 50 percent and 55 percent. The shifting relationship prompted Foot Locker to project declining sales in full-year 2022 and the company’s share prices to dive more than a third in the hours after markets opened. Foot Locker stock remains down roughly a quarter.

Donahoe, however, suggested there had been “some confusion” around Nike’s relationship with Foot Locker moving forward. “To be crystal clear, Foot Locker always has been and always will be a large and important partner of Nike’s and that will continue to be the case,” the CEO said.

Donahoe dubbed the retailer one of the company’s “important partners going forward” and insisted it will have “a very distinct role in our marketplace strategy as a wholesaler, with a particular focus on the culture of basketball, on the sneaker culture and on kids.”

Like many other companies, Nike is planning on raising prices. According to Friend, it implemented a “low single-digit” price bump in the second half of this year. Given transit time delays, Nike expects to see more of that hit

the market in its fourth quarter. Looking forward to the fourth quarter and fiscal 2023, Friend added, the company is continuing to look at opportunities for additional pricing. “We do see some,” he said.

“Our approach to pricing and to the consumer is a careful one,” Friend said. “We evaluate the price value of our products on a season-by-season basis. And our financial model as a premium brand starts first with the value that we create for the consumer in our products. And so, we’re very careful about how we approach pricing and we take a long-term view with regards to the consumer because of that relationship that we have.”

Net Sales: Revenues in the third quarter ended Feb. 28 rose 5 percent compared to the prior year—8 percent on a currency-neutral basis—to $10.9 billion. Nike Direct sales led the way, growing 17 percent in constant currency to $4.6 billion. Its digital business grew 22 percent “fueled by strong demand” on the Nike app, Friend said. Sales at Nike-owned stores grew 14 percent amid “significant” improvements in traffic. Wholesale, meanwhile, returned to growth with sales up 1 percent.

In North America, third-quarter revenue grew 9 percent as Nike Direct saw a 27 percent improvement versus the prior year. The company’s digital business saw sales climb 33 percent versus the prior year, driven by double-digit growth in traffic. According to Friend, Nike Digital has the highest penetration in North America of all its geographies. Earnings before interest and taxes (EBIT) came in flat year over year.

In Greater China, revenues remained negative for a second straight quarter, falling 8 percent year over year. EBIT declined 19 percent. Friend said these results—a sequential improvement from the previous quarter—were “in line” with expectations. Nike Direct was down 11 percent in the region amid a 5 percent decline at Nike-owned stores and 19 percent decrease in digital. Friend attributed the decreases to ongoing supply delays that negatively impacted timing of product launches and challenges to retail traffic from Covid-related lockdowns.

In Europe, the Middle East and Africa, third-quarter currency-neutral revenue grew 13 percent, with growth across all consumer segments. EBIT grew 34 percent on a reported basis. Russia and Ukraine, where Nike’s owned stores and digital commerce operations remain paused, both represent less than 1 percent of total company revenue, Friend noted.

In Nike's Asia Pacific and Latin America region, third-quarter revenues grew 19 percent on a currency-neutral basis and EBIT improved 17 percent on a reported basis. The quarter was the largest and most profitable in the region's history, Friend said, with double digit, currency-neutral growth across "nearly all" territories, led by Korea and Mexico.

Net Income: Nike recorded a gross profit of $5.01 billion during the third quarter, a 7 percent improvement over the prior quarter. Its gross margin increased 100 basis points to 46.6 percent. The company's net income declined from $1.45 billion, or 90 cents per diluted share, a year ago to $1.4 billion, or 87 cents per diluted share.

With one quarter left to go in its financial year, Friend said Nike believes it is on track to hit the mid-single-digit sales growth it projected in September. Regionally, it anticipates it will see revenues decline during the fourth quarter due to year-over-year comparisons. In Greater China, it expects to see another quarter of sequential improvement. Friend noted that Nike will "closely monitor" the operational impact from recent Covid lockdowns.

Nike now expects full-year gross margin to grow by at least 150 basis points versus the prior year as strong consumer demand continues to fuel full-price sell-through, low markdown rates and low customer returns. Benefits from "strategic" pricing in the fourth quarter are being partially offset by elevated product costs due to higher macro input costs, supply chain costs and strategic actions to expedite North American deliveries, Friend said. According to the executive, Nike has absorbed more than 100 basis points of unplanned costs this year associated with supply chain, logistics and wages to move product.

Looking beyond to fiscal 2023, Friend said the company is "optimistic." With several "new dynamics creating higher levels of volatility," however, Nike pushed off providing more specific financial guidance until the fourth quarter earnings call.

CEO's Take: "Our confidence as we look long term hasn't changed one bit," Donahoe said. "We've been resolute in fueling innovation and our brand is as strong as ever. Nike's unique strengths continue to set the pace and keep us in the lead."

Source: sourcingjournal.com – Mar 22, 2022

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Value addition in Bangladesh's RMG industry fluctuating

Value addition in the Bangladesh readymade garment (RMG) sector has been fluctuating in recent years, with exporters attributing the pandemic-induced high prices of raw materials and absence of long-term policy support to this. Local RMG items' value addition remained almost static in the range 60-64 per cent from fiscals 2012-13 to 2018-19, according to Bangladesh Bank data.

But it fell to 56.49 per cent in fiscal 2019-20, and went up to 59.13 per cent in FY21.

In 2019-20, Bangladesh fetched $27.94 billion from RMG exports, while it imported raw materials worth $12.26 billion. Thus, the country's net RMG exports stood at $15.67 billion in that fiscal, showing a 56.49 per cent value addition.

The percentage further decreased to 55.80 per cent during the first half (H1) of fiscal 2021-22, as net RMG exports stood at $11.10 billion against exports worth $19.90 billion and raw material imports worth $8.79 billion, an English-language financial newspaper in the country reported.

The value addition remained lower than the pre-pandemic 64.32 per cent in fiscal 2018-19, the data showed.

Bangladesh is dependent on imported raw materials like cotton, petrochemicals and chemicals, despite being the second largest exporter of RMG.

The value addition of the knitwear sub-sector is higher than the woven segment, as the former sources 80 per cent of its required raw materials from the domestic market, while woven is largely dependent on imported fabrics.

Source: fibre2fashion.com – Mar 22, 2022

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Bangladesh Facing Acute Container Shortage

Bangladesh's exporters are facing severe equipment shortage, due to a mixed impact of the Chinese New Year linked import slowdown from China, the latest Covid related lockdowns in various Chinese provinces, and the Russian invasion in Ukraine. Shipping lines expect a further spike in container shortages in the coming weeks as the situation further worsens in China. The pandemic has been reported to spread to 21 provinces and municipalities including Beijing, Shanghai, Shenzhen, Zhejiang, Jilin, Suzhou, and Guangzhou.

Though none of the ports are closed down due to the lockdowns in cities, operations are partly hampered due to a shortage of port workers, warehouses remained closed, and movement of vehicles is restricted creating disruption.

Bangladesh's largest import suppliers are China and India, and if imports are severely interrupted as a result of the shutdown, the manufacturing sector will be severely short of raw materials and empty containers. Bangladeshi shippers primarily import 40-foot high cube empty containers to ship clothes to western countries.

MSC is the top importer of empty boxes in Bangladesh, followed by Hapag-Lloyd, Ocean Network Express (ONE), and CMA CGM, according to data. In January, MSC imported 1,201 FEU containers and 862 FEU in February. Major Europe and America bound operators are experiencing equipment shortages, according to Mohammad Ajmir Hossain Chowdhury, deputy general manager of MSC Bangladesh.

Source: maritimegateway.com – Mar 21, 2022

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NATIONAL NEWS

PM congratulates farmers, weavers, MSMEs, manufacturers, exporters as India sets and achieves an ambitious target of $400 Billion of goods exports

The Prime Minister, Shri Narendra Modi has lauded the farmers, weavers, MSMEs, manufacturers, exporters as India has achieved the ambitious target of $400 Billion of goods exports 9 days ahead of schedule.

In a tweet, the Prime Minister said;

"India set an ambitious target of $400 Billion of goods exports & achieves this target for the first time ever. I congratulate our farmers, weavers, MSMEs, manufacturers, exporters for this success.

This is a key milestone in our Aatmanirbhar Bharat journey. #LocalGoesGlobal"

Source: maritimegateway.com – Mar 21, 2022

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Free trade agreements: Panel recommends FTA review regime for mid-way corrections

As India gears up to forge a raft of balanced free trade agreements (FTAs), a Parliamentary panel has recommended that New Delhi include a review mechanism in such pacts to ensure "mid-way course correction for any asymmetries" in trade with the partners. A report by the Parliamentary Standing Committee on Commerce, submitted on Tuesday, also called for expeditious conclusion of FTAs to reap benefits.

An FE analysis suggests, in five out of six of India's prominent FTAs, which came into force between 2006 and 2011, have exacerbated New Delhi's trade balance. This significantly contributed to the country's unease over getting into fresh pacts for about a decade before the government decided to sign a deal with the UAE last month. Another interim trade deal with Australia will be announced anytime now.

The panel said that India should leverage the 'China Plus One Strategy' to emerge as an alternative investment destination for multinational companies. The growing preference of firms located in Europe and the US to shift from China to other manufacturing bases offers a golden opportunity for India that needs to be taken advantage of, it said. India should pursue FTAs or preferential trade pacts with the countries that seek to invest here under the strategy, the report said.

Importantly, the House committee has said that the imposition of minimum alternate tax and the introduction of sunset clause for income tax relief would impact the competitive advantages of special economic zone units. "The committee recommends that the government should ensure the continuation of fiscal benefits and extension of a sunset clause to retain the competence of SEZ units," the report said. It also added that SEZs can have the benefits of Remissions of Duties and Taxes on Exported Products (RoDTEP) scheme, which is now applicable to domestic exporters.

It has also expressed concerns over the reduction in export incentives and suggested some of the sectors that have been kept out of the purview of the government's flagship tax remission schemes be included. The sectors include pharmaceuticals, organic and inorganic chemicals and iron and steel.

The panel also suggested that the foreign trade policy (FTP) be firmed up within the stipulated time-frame. The FTP for 2015-20 was extended by two years through March 2022 following the Covid outbreak to ensure policy continuity.

On exports, the panel said: "The committee recommends that the department (of commerce) should identify the infirmities and opt for a more focused approach in increasing market access of the sectors that exhibit a downtrend in exports."

Source: financialexpress.com– Mar 23, 2022

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Textile fund validity beyond FY22 being looked at

The government is considering a proposal to extend the validity of its flagship capital investment scheme for the textiles and garment sector beyond March 31, until a new programme, which is in the works, is finalised, according to sources.

FE reported last week that the government is firming up a Rs 16,635-crore programme that will not just replace the latest avatar of the Technology Upgradation Fund Scheme (TUFS) but also promote integrated manufacturing facilities and technology adoption in a big way to enable India to regain its lost share in the global market. The new scheme will be called the Textiles Technology Development Scheme (TTDS).

"The new scheme will take some time to materialise. More deliberations are required for finalising certain aspects of the scheme. So, there is a proposal to extend the current scheme's validity. The government will soon take a call on whether the extension will be granted," one of the sources said.

While notifying the Amended Technology Upgradation Fund Scheme (ATUFS) in January 2016, the government had set aside an outlay of Rs 17,822 crore (Rs 12,671 crore for clearing pending claims under the scheme's earlier avatars and Rs 5,151 crore for implementing the ATUFS) until FY22.

The scheme is supposed to mobilise fresh investments of about Rs 95,000 crore in the textile and apparel sector by FY22 and create 3.5 million new jobs. However, until FY21, it could incentivise projects worth only Rs 46,861 crore, while the subsidy disbursement stood at Rs 3,378 crore.

The TUFS, the earliest version of ATUFS, was introduced in 1999 to make available funds to the textile industry for upgrading technology at existing units as well as for setting up new ones with state-of-the-art facilities. The idea was to improve their viability and competitiveness in both the domestic and export markets.

Under the extant scheme (ATUFS), garments and technical textiles firms are provided a 15% subsidy on capital investments, subject to a ceiling of Rs 30 crore for each investor. The remaining segments, such as weaving, processing, jute, silk and handlooms, get 10%, with a cap of Rs 20 crore.

Before the ATUFS was introduced, the various versions of the TUFS had attracted investments of more than Rs 2.71 trillion in about 16 years through FY15, according to an earlier official estimate. Subsidies of Rs 21,347 crore were disbursed under the scheme during this period and a lot of pending claims were settled later.

The capital-intensive spinning industry has been the largest beneficiary of the TUFS, as most of the investments have taken place in this segment. Of course, with the change in the incentive structure under the ATUFS, spinning mills haven't quite reaped the benefits in recent years. Large-scale capacity addition in spinning in earlier years also discouraged them from undertaking fresh expansion.

Source: financialexpress.com– Mar 23, 2022

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OECD retains India's FY24 GDP growth at 5.5%

The Organization for Economic Cooperation and Development (OECD) on Tuesday retained the outlook for India's real gross domestic product (GDP) at 5.5% in FY24, lower than 8.1% in 2022-23.

In its Economic Outlook for Southeast Asia, China and India, the agency said that China's economy is seen growing 5.1% in both 2022 and 2023.

Driven by infrastructure spending and border reopenings, the GDP of emerging Asia - China, India and the 10 members of the Association of Southeast Asian Nations (ASEAN)- is projected to grow 5.8% this year, following a 7.4% expansion in 2021 and a 0.8% contraction in 2020, it said, adding that the Ukraine war adds to inflation and supply chain risks facing an emerging Asia attempting to break out of the Covid-19 slump.

"While we expect the economic recovery from the COVID-19 pandemic to continue, the growth momentum remains fragile. Inflation, notably rising energy and food prices, and supply-chain disruptions present an ongoing risk to the recovery," OECD Secretary-General Mathias Cormann said.

"Governments in the region need to implement effective macroeconomic and structural policies to safeguard their economies, continue to improve citizen's well-being and accelerate progress to achieve the Sustainable Development Goals," Cormann added.

One of the main obstacles to bond-market development in India is limited investor base; insufficient liquidity in the secondary market, OECD noted.

Source: economictimes.indiatimes.com– Mar 23, 2022

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India & Japan take recent shifts in their stride

As Japanese Prime Minister Fumio Kishida landed in Delhi, the stakes were high. While both sides were meeting to continue the tradition of annual bilateral summits, neither party could ignore the broader shifts in the international system. For some weeks now, New Delhi has watched as much of the Western world and its allies abroad, including Japan, have mobilised in the wake of Russia's invasion of Ukraine. As whispers of Western discontent with India's more measured position on the Ukraine crisis made the rounds, New Delhi's first in-person meeting with a major ally would be a portent of things to come.

Fears of a major diplomatic blowback were soon laid to rest as New Delhi and Tokyo pushed the envelope on what is fast becoming one of India's most vital diplomatic relationships. From the headline-grabbing announcement of an additional $42 billion in Japanese investment over the next five years to a slew of partnerships in cybersecurity, development assistance, and clean energy development, it was evident that bilateral ties remain on an even keel.

Older diplomatic efforts, including Tokyo's vital support for high-technology innovation and development in the Northeast, have continued to keep pace. This business-as-usual diplomacy will come as a great relief to New Delhi as it signals that India's partners, contrary to the expectations of many, remain willing to maintain and build on existing ties despite diverging views on the unfolding situation in Ukraine.

Talks of a major rift were also put to rest by the joint statement, which largely hewed to India's stated position: Both sides called for international law to be respected and for an immediate cessation of violence in Ukraine. Further, the two Asian powers also continued their more measured position on the political crisis in Myanmar, which was triggered by a military coup in 2021.

As Western powers have unleashed a barrage of sanctions against the junta in power, New Delhi and Tokyo have opted for quiet diplomacy and an Asean-brokered political solution to the crisis. In addition, both partners restated their long-standing commitment to supporting the other's bid for permanent membership at the UN Security Council. For New Delhi, reaffirming the importance of bilateral ties with a major partner even in the face of differences of opinion on Ukraine has been a major win. One avenue of cooperation will be of particular interest in the aftermath of the summit: The Indo-Japanese defence relations.

Tokyo has moved quickly in its ambitions to play a greater role in providing security for the Indo-Pacific, and partners like India have been a key part of its strategic vision. In 2020, the two nations signed a Mutual Logistics and Supply Agreement (MLSA), which allows the militaries to access each other's bases and a host of related supplies. As military competition with China heats up, India and Japan, along with the United States and Australia, have drawn closer in an effort to build a new security architecture. Expanding defence technology development, over and above existing Unmanned Ground Vehicle and Robotics programmes, has been rightly identified as a key priority. As the Ukraine crisis has highlighted, India may be well served to expand its source of armaments and key technologies. Past efforts to boost defence trade, like India's drive to acquire Japan's Shinmaywa US-2 maritime reconnaissance aircraft, have run into trouble.

Further, the Indo-Japanese MLSA remains a scaled-down version of the more expansive Reciprocal Access Agreement, which Japan recently signed with Australia. Expanding discussions, including on the exchange of ammunition and weapons, will help lay the groundwork for greater interoperability between the Indian and Japanese armed forces. However, there were two notable disappointments. First, the much-hyped Asia-Africa Growth Corridor (AAGC), a joint Indo-Japanese effort to build infrastructure and connectivity in Africa, found no mention in the summit. This is particularly worrying in the light of reports that the initiative has run aground. Infrastructure and connectivity projects remain a crucial part of India's diplomatic strategy and influence in Africa and Southeast Asia.

The alleged failure of a major development effort designed in concert with the highly experienced Japanese does not bode well. Given the Quad's desire to base its diplomatic outreach on meeting Asia's infrastructure needs, both sides must urgently review and avoid the pitfalls revealed by this mothballed scheme. Second, major progress on reworking the Comprehensive Economic Partnership Agreement (CEPA), signed in 2011, has been elusive.

While trade restrictions on some goods were eased, New Delhi's long march towards a comprehensive review of the agreement seems likely to continue. While the CEPA did boost bilateral trade, it has expanded India's trade deficit with Japan. Given that the trade relationship remains fairly underdeveloped, reworking the CEPA remains critically important if Indo-Japanese trade is to be both robust and balanced.

Source: business-standard.com– Mar 22, 2022

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India stands tall amongst BRICS with highest CAGR returns since 2008

At the start of the Millennium, four economies became the toast of the investing world. Made famous in its noted report on emerging economies, Goldman Sachs predicted that these four economies would drive global growth and overtake the biggest Western economies by 2039.

These four economies – Brazil, Russia, India and China – came to be seen as an economic bloc called the BRICS. With a combined market capitalisation of $16.46 trillion, the four along with South Africa now forms almost 15% of the worlds' market capitalisation of $112.43 trillion. For the first decade, these economies did grow faster than the developed economies and were the toast of the investing world, till the global financial crisis struck. Equations since the GFC have changed and the only economy to remain standing is India.

With a double-digit compounded growth in dollar terms since 2008 GFC, India stands out among the five, having returned 11.6% compared to South Africa's 8.3% gains. While China and Brazil yielded returns of 5.4% and 4.1%, respectively, Russia fared poorly as the ongoing geopolitical tensions battered both its currency and stocks alike.

The Russian ruble has lost more than a quarter of its value so far in 2022. From being the Goldilocks economies, they formed a new club called the Fragile Five as their currencies were beaten down in 2013 and external situation came under pressure.

Even though India joined the others in becoming a part of the Fragile Five, following the taper tantrum in 2013, it has since emerged stronger than ever before. Explains Deepak Jasani, Head of Retail Research at HDFC Securities, "Compared to the other BRICS, India has outperformed in terms of MSCI $ returns since 2008 because of its strong growth, demographic profile, political stability, investment friendly policies and strong Foreign Direct Investments/Foreign Portfolio Investment flows."

Among other factors, market experts say that unequal growth rates and low trade integration impacted the economic bloc's collective success. These economies missed the opportunity to form a strategic cooperation agreement.

A strong domestic market and attempts to fortify India's external account has helped it deliver better growth and market returns than other economies that were heavily dependent on commodity exports. Explains Jasani, "Corruption scandals have set Brazil back and sanctions have been detrimental to Moscow. Both Russia and Brazil have also suffered from high inflation and interest rates in many years."

A strong domestic market and relatively stable external account will help India continue to command a premium over other emerging markets. Says Amar Ambani, Senior President and Head – Institutional Equities, Yes Securities, "Indian markets will trade at a premium to EMs given the prospects of strong consumption, underpinned by aspirational middle class, rapid digitalisation, growing formalisation of the economy, government's thrust on augmenting capital expenditure and overall optimistic outlook on corporate earnings."

Ambani says that Brazil, Russia and South Africa have primarily lagged in terms of economic growth and market performance given the subdued commodity price outlook during the last decade. India has benefited from lower commodity prices as it is a net importer of commodities, he says. Over the six years, India has benefited from formalisation of the economy and economic reforms, which has not been the case in Russia, Brazil and South Africa.

High interest rates, lower growth and corruption scandals have rocked some of these economies. Barring the Covid crisis, a phased fiscal consolidation has also worked as a positive for India. According to Jasani, "Despite its high GDP growth, China has suffered due to regulatory crackdowns, control of pollution by cracking down on polluting industries, harsh Covid control measures, real estate bust etc."

Going forward, strategists say India can sustain higher growth rates for a prolonged period of time, even though near-term headwinds will impact growth.

According to Bloomberg consensus estimates, India's GDP is poised to grow at 9.1% in 2022 after last year's 6.6% contraction. That will affirm a growth rate of 4.7% for the BRICS nations. Barring the pandemic year, the five nations together have grown at over 5% every year since 2015.

Altogether the growth of these five BRICS economies will grow less than 5% this year because of Russia, China and South Africa. According to experts, India will find it difficult to grow at a fast rate in the immediate future due to a lot of headwinds — some domestic and some global — although given the political leadership and demographic profile it has potential to grow at high rates for a number of years, , says Jasani. And if the Ukraine crisis resolves, Russia could benefit from rising commodity prices.

Commenting on China, Ambani says: China's economic growth rate has slowed dramatically during the last decade, though it is not fair to compare India and China given the sheer size of the Chinese economy. So, even though Chinese economic growth has slowed to 6% from 10-11% during 2000-10, Chinese GDP of $15 trillion still adds$900 billion to the economy, when compared with India's GDP adding around $210 billion to the economy every year."

Source: financialexpress.com– Mar 23, 2022

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'FTAs should include review system for course correction'

Free trade agreements being negotiated by India should include the provision of a review mechanism to ensure mid-way course correction in case asymmetries are noticed in trade with the partner country, a Parliamentary panel has recommended.

The report of the Parliamentary Standing Committee on Commerce also said that India needs to leverage the 'China Plus One Strategy' for becoming an alternative investment destination for major global companies.

The growing preference of firms located in major economies of Europe and the US to shift from China to other manufacturing bases provides a window of opportunity for India's trade sector, which needs to be capitalised, it said.

The committee has recommended that a policy measure to benefit from the strategy should be devised, which should incorporate steps to ensure a business-friendly environment and modern manufacturing infrastructure for the incoming investments.

The government should endeavour to pursue Free trade agreements (FTAs) or preferential trade pacts with nations that seek to invest in India under the strategy, the report said. "...the provisions of FTAs with partner countries should have an inherent review mechanism for ensuring mid-way course correction for any asymmetries in trade," it added.

It also said that FTAs should be concluded expeditiously to reap trade benefits.

Further, the panel called for the release of the forthcoming foreign trade policy (FTP) within the stipulated timeframe.

On India's exports, it said that decline in the outbound shipments in any sector should be dealt with a firm hand. "The committee recommends that the department (of commerce) should identify the infirmities and opt for a more focused approach in increasing market access of the sectors that exhibit a downtrend in exports," it added.

On special economic zones (SEZs), the report said that imposition of minimum alternate tax and the introduction of sunset clause would adversely affect the competitive advantages of SEZ units.

"The committee recommends that the government should ensure the continuation of fiscal benefits and extension of a sunset clause to retain the competence of SEZ units," the report said, adding SEZs can be included under the ambit of Remissions of Duties and Taxes on Exported Products (RoDTEP) scheme.

It has expressed concerns over trimming export incentives like under the MEIS (merchandise export from India scheme). The panel suggested "the extension of benefits of RoDTEP scheme to the sectors of pharma, organic and inorganic chemicals and iron and steel in order to retain their price competitiveness in global markets". It also called for early clearance of pending dues under MEIS and SEIS.

Source: millenniumpost.in– Mar 22, 2022

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Unemployment rate at 9.8pc in July-September 2021: NSO survey

Unemployment rate for persons of age 15 years and above in urban areas dipped to 9.8 per cent in July-September 2021 from 13.2 per cent in the same quarter of the previous year, showed a periodic labour force survey by the National Statistical Office (NSO).

Joblessness or unemployment rate (UR) is defined as the percentage of unemployed persons in the labour force.

The joblessness was high in July-September in 2020 mainly due to the staggered impact of lockdown restrictions in the country which were imposed to curb the spread of deadly coronavirus.

The unemployment rate for persons of age 15 years and above in April-June 2021 was 12.6 per cent in urban areas, the 12th Periodic Labour Force Survey (PLFS) showed.

It also showed that unemployment rate among females (age 15 years and above) in urban areas also declined to 11.6 per cent in July-September 2021 from 15.8 per cent a year ago. It was 14.3 per cent in April-June 2021.
Among males, the UR in urban area also dipped to 9.3 per cent in July-September 2021 compared to 12.6 per cent a year ago. It was 12.2 per cent in April-June 2021.

Labour force participation rate in CWS (current weekly status) in urban areas for persons of 15 years of age and above was 46.9 per cent in the July-September quarter of 2021, down from from 47.2 per cent in the same period a year ago. It was 46.8 per cent in April-June 2021.
Labour force refers to the part of the population which supplies or offers to supply labour for pursuing economic activities for the production of goods and services and therefore, includes both employed and unemployed persons.

NSO launched PLFS in April 2017. On the basis of PLFS, a quarterly bulletin is brought out giving estimates of labour force indicators namely UR, Worker Population Ratio (WPR), Labour Force Participation Rate (LFPR), distribution of workers by broad status in employment and industry of work in Current Weekly Status (CWS).

The estimates of unemployed persons in CWS give an average picture of unemployment in a short period of seven days during the survey period. In the CWS approach, a person is considered unemployed if he/she did not work even for one hour on any day during the week but sought or was available for work at least for one hour on any day during the period.

Labour force according to CWS is the number of persons either employed or unemployed on an average in a week preceding the date of survey. LFPR is defined as the percentage of population in the labour force.

WPR (in per cent) in CWS in urban areas for persons of age 15 years and above stood at 42.3 per cent in July-September 2021, up from 40.9 per cent in the same period a year ago. It was 40.9 per cent in April-June, 2021.

Eleven quarterly bulletins corresponding to the quarter ending December 2018 to the quarter ending June 2021 have already been released.

Source: financialexpress.com– Mar 22, 2022

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Parliamentary panel to govt: Extend ECLGS loan repayment period for MSMEs up to 7-8 years

Credit and Finance for MSMEs: The Parliamentary Standing Committee on Industry has recommended the government to extend the loan repayment period under the Emergency Credit Line Guarantee Scheme for MSMEs up to seven-eight years. Currently, the repayment period of three-four years including the moratorium period under the scheme is a very short period for MSMEs that are struggling to survive from the second wave of Covid, the committee said on Monday.

The parliamentary panel also asked for at least a two-year moratorium period on the principal amount. Finance Minister Nirmala Sitharaman in her budget speech this year had announced an extension of the ECLGS scheme up to March 2023 along with an increase in guarantee cover by Rs 50,000 to Rs 5 lakh crore. According to the minister, more than 130 lakh MSMEs have raised additional credit under the scheme since its launch in May 2020.

The recommendations to the government were part of the 315th report on Demands for Grants (2022-23) pertaining to the MSME Ministry presented by the panel headed by Rajya Sabha member Dr K Keshava Rao. The report submitted to the Parliament incorporated suggestions from industry experts around budgetary allocations and overall challenges faced by MSMEs.

"They have woken up very late as moratorium period under ECLGS 1.0 was of one year which already lapsed last year. In terms of the repayment period, the instalments can be extended up to at least six years as there is a lot of pressure among MSMEs to return the money. If the government increases it to seven years, there is no harm as it has nothing to lose in it. So, recommendations are in the right direction with respect to repayments," Rajiv Chawla, Chairman at the MSME association — IamSMEofIndia told Financial Express Online.

According to the ECLGS guidelines, the current repayment period including the moratorium under ECLGS 1.0 is four years and the moratorium period on principal repayment is one year. Likewise, for ECLGS 1.0 extension, the repayment period is five years and the moratorium period is two years. Further, for ECLGS 2.0 repayment period is five years but the moratorium is available for only one year. For ECLGS 2.0 extension, ECLGS 3.0, and

ECLGS 3.0 extension, the repayment period is highest at six years along with the moratorium of two years.

The committee also recommended increasing the limit for collateral-free loans including term loans or working capital loans under the CGTMSE scheme from the existing Rs 2 crore to Rs 5 crores irrespective of the company type such as private ltd., limited liability partnership, partnership or proprietorship. This was among the key asks by MSME associations for the budget as well. Nonetheless, Sitharaman had announced revamp of the scheme with the infusion of additional credit of Rs 2 lakh crore for micro and small enterprises.

Among other key recommendations by the parliamentary panel included:

Forming separate policies for medium enterprises vis-a-vis micro and small enterprises based on their divergent needs.

Establishing SME Finance companies in the country on the lines of infrastructure finance companies (IFCs) or micro-finance companies that are not engaged in real economic activity but help in the financing of SMEs.
Digitising GST regime without the requirement of separate hard copies to be provided to the concerned department to claim refunds.

Setting up a Central Market Intelligence Centre to replace goods imported by MSME with domestic manufacturing. The said Centre may be entrusted with the task of putting out a list of imported products and spreading awareness of the same to attract entrepreneurs to set up new manufacturing enterprises in the MSME Sector, the panel said.

Using existing Technology Centres for subsidised testing and certification of regional MSMEs. The panel said MSME Ministry should also devise a mechanism to tie up with global Testing Centres whose certificates are acceptable in respective countries/regions to ease the testing process, reduce cost, and encourage innovation among new entrepreneurs.

Source: business-standard.com– Mar 22, 2022

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GST outreach for trade and industry sectors

The Puducherry CGST & Central Excise Commissionerate on Tuesday began the first of a series of trade facilitation meetings with the trade and industry sectors.

The sectors represented on the opening day were pharma, textiles, edible goods and FMCGs.

According to Commissionerate officials, this was the second such meeting to resolve GST-related grievances or systemic glitches after an interaction in December last year.

"These meets for small, medium and big enterprises are scheduled at the end of each quarter," an official said.

Nodal officers have been designated for interactions with different sectors that would take place at the Commissionerate and divisional offices in the Union Territory.

Trade facilitation meetings have been scheduled for the automobile, auto ancillaries, electrical and electronics and other sectors on Wednesday, and for MSMEs and exporters on Thursday.

The Commissionerate has urged trade and industry associations/Chambers of Commerce to encourage the participation of their members. Those unable to attend can mail their representations/suggestions/grievances to hqrs-pycgst@gov.in, marking copies to addlcomm-pycgst@gov.in, or on WhatsApp number 9968954962.

Source: thehindu.com– Mar 22, 2022

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