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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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NEWS CLIPPINGS

INTERNATIONAL NEWS

Fitch expects lower growth, higher inflation in CIS nations amid war

Fitch Ratings expects lower economic growth and higher inflation in the Commonwealth of Independent States (CIS) due to the Ukraine-Russia war. The global rating agency said it expects damage from the war to cause a 35 per cent contraction for Ukraine this year, while Belarus's economy will shrink by 10 per cent due to large trade links with Russia, sanctions and challenging financial conditions.

Fitch said it revised down economic growth estimates across the CIS+ region for 2022, but added that oil and natural gas producing and exporting countries will benefit from higher prices.

"This is most apparent in Azerbaijan, which exports gas to Europe and will benefit from strong demand and higher prices," it said. "Turkmenistan currently exports all gas under long-term contracts with a lag in the pricing structure, meaning that much of the price impact will be felt in 2023," it said in a statement.

It anticipates Armenia, Azerbaijan, Georgia, Kazakhstan, Turkmenistan and Uzbekistan economies to grow in 2022, but their estimates are cut by 0.2 to 4 percentage points.

The rating agency, in addition, revised up inflation forecasts for CIS+ countries, as all are expected now to have average inflation rates of more than 8.5 per cent in 2022, due to a combination of higher food and energy prices, and exchange-rate depreciation.

Source: fibre2fashion.com– Apr 11, 2022

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US ports begin to catch up with cargo backlog of past months: NRF

US' major retail container ports have begun to catch up with the backlog of cargo seen over the past several months, but could experience another surge this summer, according to the monthly Global Port Tracker report by the National Retail Federation (NRF) and Hackett Associates.

US ports covered by Global Port Tracker handled 2.11 million Twenty-Foot Equivalent Units (TEU)—one 20-foot container or its equivalent—in February. That was down 2.3 per cent from January but up 13 per cent year-over-year.

"As we entered 2022, the biggest question was when the supply chain would return to normal," NRF vice president for supply chain and customs policy Jonathan Gold said.

"Unfortunately, we still don't have a definitive answer. Congestion at West Coast ports has eased, but congestion at some East Coast ports is growing. Ports aren't as overwhelmed as they were a year ago, but they are still significantly busy moving near-record volumes of cargo."

Hackett Associates founder Ben Hackett said volumes remained high in February despite factories in parts of Asia closing for the Lunar New Year holiday because US ports were able to handle cargo from ships already waiting for a berth.

"With West Coast ports still congested, there were still plenty of containers to be unloaded," Hackett said. Similarly, the current near-shutdown of Shanghai because of COVID-19 precautions means fewer ships are leaving China and "the wait on that side of the Pacific will help reduce the pressure of vessel arrivals at Los Angeles-area terminals." An influx of vessel arrivals following the resumption of normal operations in China could result in renewed congestion at US ports, however.

Ports have not yet reported March numbers, but Global Port Tracker projected the month at 2.27 million TEU, unchanged from the same month last year. April is forecast at 2.13 million TEU, down 1.1 per cent from last year, and May at 2.21 million TEU, down 5.3 per cent year-over-year.

Increases are expected to resume in June, which is forecast at 2.26 million TEU, up 5.2 per cent year-over-year. July is forecast at 2.32 million TEU, up 5.6 per cent, and August at 2.35 million TEU, a 3.3 per cent year-over-year increase that would set a new record for the number of containers imported in a single month since NRF began tracking imports in 2002. The current record is 2.33 million TEU in May 2021.

The first six months of 2022 are expected to total 13.1 million TEU, up 2.5 per cent year-over-year. Imports for all of 2021 totalled 25.8 million TEU, a 17.4 per cent increase over 2020's previous annual record of 22 million TEU.

Source: fibre2fashion.com– Apr 11, 2022

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USA: Ocean Freight Rates Ease but Fog of War Darkens Outlook

Data shows ocean freight rates are broadly staying the course but still up considerably from the past 12 months.

Despite the war in Ukraine and Covid lockdowns in China, the Freightos Baltic Global Index–published in collaboration with Freightos, Vespucci Maritime and Freight Investor Services–was largely stable in March, decreasing 4 percent to $9,443 per 40-foot container or equivalent unit (FEU)–still 116 percent higher than a year ago and more than six times the pre-pandemic norm.

However, expert commentary in the Baltic Global Index and a separate report from Container xChange were more concerning for shippers.

“Covid-induced lockdowns in China and the Russia-Ukraine war has torn apart the expectations of recovery of the supply chain, which has been grappling to keep up to the pressures of implications resulting from these and many more disruptions,” said Christian Roeloffs, Container xChange CEO.

Judah Levine, research lead at digital container freight platform Freightos, agreed that the slight aggregate decline masks divergent trends on different lanes driven by the latest disruptions. The mid-month Covid lockdowns in Shanghai and Shenzhen had many expecting a repeat of the last spring’s impacts from the outbreak at the port of Yantian, Levine noted.

“It was feared that ripples from the war in Ukraine, including rising fuel costs, carrier boycotts and rail-to-sea conversions, would worsen operations in Europe and put upward pressure on ocean rates, as well,” he said. “But so far, neither development has been reflected in increases in ex-Asia prices.”

China’s strategy of enacting strict containment measures alongside efforts to keep the economy and trade as intact as possible meant that the ports in Shanghai and Shenzhen operated throughout the lockdowns, Freightos reported. The availability of goods from a drop in manufacturing, disruptions to trucking and some decrease in available workforce did lead to slowdowns at ports and an increase in waiting ships and wait times, Levine said.

"The disruptions in China…were not enough to push transpacific rates up," he added. "Despite some signs that consumer spending may be ebbing and some reduction in congestion at Los Angeles-Long Beach, prices remain extremely elevated. Asia-U.S. West Coast rates fell 2 percent to $15,811 per FEU since last month, but are up 8 percent since the start of the year.

Drewry's composite World Container Index (WCI) fell 1.4 percent to $8,041.50 per FEU for the week ended April 7, but was 64 percent higher than a year earlier. Freight rates on Shanghai-Los Angeles dropped 3 percent to $8,824 and Shanghai to New York fell 2 percent to $11,303 per FEU for the week. Drewry said it expects spot rates to remain stable this week.

Meanwhile, Roeloffs said logistics companies are wary of trade lanes, trade partners and shipments to and from Russia.

"Market volatility has caused uncertainties in the market, which has caused massive delays and reduced capacities," he said. "The war has impacted Europe greatly. First, containers are stuck in the terminals waiting for transhipments to Russia and the result is a huge pileup there. The second significant impact is on the China-Europe rail. The northern corridor is still open, but volumes are massively reduced due to uncertainty in the market. That has pushed cargo toward sea freight and even in some cases towards air freight."

Roeloffs said the impact of China's Covid lockdowns on key markets will have wider reaching impacts leading to equipment scarcity, higher rates and worsening transpacific traffic jams.

"The problem will continue to remain after that because there are also labor union disputes in the U.S. waiting in the month of May. which historically always leads to [a] slowdown at the West Coast ports," he said.

Peter Stallion, head of air and containers at brokerage Freight Investor Services, said the disruption to global supply chains shows no near-term signs of improving.

"Continuing covid disruption in Asia, with Chinese authorities still pursuing a 'zero-tolerance' policy, will continue to impact ports and factory production unless there is a radical change in approach to infections," Stallion said. "The conflict in Eastern Europe looks set to continue, as no negotiated peace settlement or even a cease-fire looks likely at present, particularly with recent news of atrocities committed by Russian forces on the ground, occupying international political arenas.

“At present if anything looks likely it could be further sanctions on the Russian economy and individuals in response,” he added. “The knock-on effects of these two factors look set to continue to impact shipping, with congestion in ports and supply chains on both sides of the Atlantic, as well as elsewhere, particularly Asia.”

Source: sourcingjournal.com– Apr 11, 2022

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USA: Are Cotton Prices Too High to Sustain Demand?

Like the legendary Icarus of Greek Mythology who flew so high the Sun melted his waxed wings and he fell to Earth, cotton is beginning to price itself out of the fiber market.

Speculators and the few growers trying to squeeze the last point out of the market will not like this, but cotton prices are too high. Despite the damning inflation brought about by the failure of U.S. monetary and fiscal policy, cotton prices are just too high to sustain demand. Despite the unsustainable increase in agricultural inputs, cotton prices are just too high to sustain demand. Mills are indicating that spinning cotton is unprofitable. Cotton is facing demand degradation.

The May contract is silently going away, and July will become the spot month in less than two weeks. First Notice Day for the May contract is Apr. 25, and May option trading expires Apr. 14. Open interest in the July contract now exceeds that of May. Yet, there are still some 2.5 million bales of long fixations (buying futures) and 300,000 bales of short fixations (selling futures) that must be settled on May futures.

Too, the July contract still has excellent support as about 5.5 million bales must be bought on that contract before June 24, and only about 600,000 bales need to be sold. The ratio of buying futures to selling futures is 9.2 to 1. Thus, the on-call sales positions will continue to offer support to July.

Possibly another round of fireworks is in the works, but the bullishness of the 2021-22 cotton marketing season is all but a memory. The May/July contracts have another shot at 140 cents. But since cotton has all but priced itself out of the yarn market, cotton sales have slowed to a crawl and prices will look for a new trading range – most likely between 125 cent and 135 cents. To remain competitive in the yarn market, cotton futures need to slip back below that level. The sooner prices fall to 120 cents, the brighter the demand for cotton will be. Even at that, 120 cents will still be pricy for yarn spinners.

The May and July contracts are experiencing lower and lower lows – a signal that the bull run is over. It is about over given that sales have fallen to a snail's pace, but there is likely another charge left to push prices back to the mid-130s strictly based on July on-call sales. The bull is pacing for a charge in December. However, that bull has its support from the supply side of the market, not the demand side that took May and July futures to the 140-cent level. In the face of a good timely rain, this new bull will lose its footing.

The new crop December contract was initially supported by strong cotton demand. Two other factors pushed it higher. The widespread drought facing Texas, Oklahoma, and New Mexico has been very favorable for higher cotton prices, and, in the absence of rain, will be more so. There is still time for very beneficial rain, but the region is much drier than normal, and the dryness has continued much later than normal. Additionally, skyrocketing grain and oilseed prices supported higher cotton prices just to ensure that cotton was competitive with respect to planted acres.

December futures climbed to a life of contract high this week and settled at 115.48 cents. Compared with the old crop May and July contracts, December futures has made higher and higher lows – a signal of higher prices. Thus, our target of 119-120 cents and the possibility of 125 cents remains alive.

USDA released its April supply demand report at week's end. Changes were few and, in the scheme of world cotton trading, were insignificant. World stocks were increased marginally, and world production was increased marginally, and world consumption was decreased marginally. The market treated the report as totally expected.

USDA's weekly export sales report did shed light on the market's reaction to the higher prices of the past three weeks. Export sales were only a net of 62,900 bales of upland, and export sales cancellations jumped to 63,600 bales. China led the way with more than two thirds of the cancellations but did purchase 23,200 bales on the week. However, export shipments were a marketing year high of 455,500 bales. Primary destinations included China (171,300 bales), Turkey (75,400 bales), Pakistan (69,600 bales), Vietnam (38,800 bales), Mexico (20,600 bales), and Indonesia (15,600 bales). Shipments of upland were made to 23 countries.

Expect July futures to move higher on the week as long Index Fund rolls continue (sell May, buy July). December is still in the hunt for 120 cents, but that price is strictly a weather play given slowing demand. Yet, the consumer is still flush with cash and will be for the remainder of the calendar year. Retail sales will continue strong.

Source: cottongrower.com– Apr 11, 2022

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US' apparel imports from Sub-Sahara region grow 32.54 % in Jan-Feb'22

US' apparel imports from the Sub-Sahara African region grew by 32.54 per cent Y-o-Y to $258.03 during the January-February '22 period. OTEXA stats reveals, imports from Ethiopia surpassed those from Kenya as the country emerged as the top African apparel exporter to the US market in the first two months' period.

The US imported apparels worth $68.05 million from Ethiopia during the January-February '22 period, whereas it imports from Kenya totaled $65.10 million during the first two months of 2022.

Imports from Madagascar grew 42.87 per cent Y-o-Y to $51.62 million. Markedly, the country surpassed Lesotho – from where US buyers sourced $47.60 million worth of apparels in the mentioned period.

A lot of movement is happening in the African manufacturing landscape, despite US' sanctions on Ethiopia last year that led to the suspension of AGOA benefits for the country, adds the report.

Source: fashionatingworld.com– Apr 11, 2022

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Levi's Q1 revenues grows 22 per cent

Levi's revenues in the first quarter of the current fiscal increased 22 per cent year-over-year as the brand benefitted from the growing popularity of wider-leg silhouettes.

In 2021, sales of straight leg jeans surpassed skinny jeans, reveals esearch firm NPD Group. Straight leg jeans accounted for one-third of total sales in the category or $3.3 billion. Denim category grew 9 per cent in 2021 compared to 2019.

Levi's is positioned to meet the growing demand for straight-leg jeans in 2022. Sales of its 501 style alone grew 50 per cent year-on-year in the first quarter. The trend is playing out in men's denim's as well, she adds.

Wider styles accounted for half of bottoms sales at Levi's in both men's and women's this quarter, and men's bottoms sales increased by 24 per cent year-on-year, adds Berg. Wider styles of denim allowed people to stay comfortable while dressing up for the return to out-of-home events.

This quarter, Levi's raised the average selling price of an item by 10 per cent. However, consumers will continue to refresh their wardrobes even amid inflations thanks to the rising popularity of these new denim styles.

Source: fashionatingworld.com– Apr 11, 2022

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The US textile industry continues to grow with investments across sectors

The apparel, bedding, floorcovering, traditional textiles, nonwovens and technical textiles sectors in the US are booming with new investments and expansions. Most investments are focused on sustainability and development of Central America, says a Textile World report.

One of the first investments is Eastman Chemical Co putting in$1 billion in a material-to-material molecular recycling facility in France. The facility will recycle upto 160,000 metric tons annually of hard-to-recycle plastic waste currently being incinerated.

West Sacramento, Calif.-based Origin Materials Inc plans to invest at least $750 million to develop a biomass manufacturing facility in Ascension Parish, La. The plant will produce plant-based polyethylene terephthalate (PET) with sustainable wood residue for use in packaging, textiles, apparel and other applications.

Floor covering companies expand operations

Floor covering companies are also expanding their operations. Dalton, Ga.-based Shaw Industries Group, a global flooring provider, is expanding its operations in Aiken County, SC with $400 million investment.

Sherrill Furniture, a manufacturer of high-end furniture, plans to invest $2.9 million to open a new custom upholstery production facility in Conover, NC. The company manufactures high-quality custom furniture for nine furniture brands, retailers and interior designers in 50 states of the US.

Focus on Central America

In December 2021, Vice President Kamala Harris announced significant multimillion-dollar investments by Parkdale Mills and six other companies into Central America.

The most prominent amongst these is over $100 million investment by Intradeco Holdings in Central America, part of which will be used to expand the company's solar energy power. Miami-based Intradeco Holdings also plans to invest $100 million in Central America to make the most of the CAFTA-DR and nearshoring opportunities.

Rise in investments in sleep products

Investments in sleep products have also been growing in recent past. Manufacturer of hybrid memory foam mattresses, Somnus Mattress International LLC announced a $13 million investment plan to establish operations in Blacksburg, S.C. The company will manufacture mattresses to serve clients across the US. Oremium manufacturer and supplier of bedding products BRN Sleep Products AS announced an investment of more than $4.3 million to establish operations in Orangeburg County, SC. The company manufactures and assembles mattresses and bases; besides marketing, distribution and sale of bed products.

Delivering non-wovens and technical textiles

Indorama Venutures company Avgol® America Inc has partnered YanJan USA LLC to deliver exclusive nonwoven product offerings to the North American market. Va-based Verdex has secured financing to scale its proprietary nanofiber technology and complete a commercial manufacturing facility in Richmond, Va. Damien Deehan, Co-CEO, Verdex, says, the investment allows Verdex to target specific challenges and problems in multiple industries to create game-changing products.

Investments in apparel sector

Through one of its wholly-owned subsidiaries, Montreal-based Gildan Activewear acquired 100 percent stake in Phoenix Sanford LLC for approximately $168 million. The acquisition will allow Gildan to build on its global vertically integrated supply chain by further internalizing yarn production.

Charlotte, NC-based clothing and apparel company Citadel Brands LLC announced an investment of more than $7.5 million to establish operations in Kingstree, The new operations will increase the company’s distribution capacity and promote future growth for new products and brands. Though these investments are very large in terms of capital but they enable these companies to participate in the growth story of the US textile industry.

Source: fashionatingworld.com– Apr 11, 2022

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Many small apparel units close due to power, fuel outages in Sri Lanka

Sri Lanka's Joint Apparel Association Forum (JAAF) recently urged all stakeholders to put aside differences and work together to resolve the current crisis that has resulted in severe hardships for people and hampered the economy. Power and fuel outages have led to the shutdown of many small units and escalated the production cost for others, it said.

"If the current macroeconomic crisis continues for longer without taking urgent action to address it, the social and economic consequences imposed upon Sri Lanka's people will be incalculable," JAAF cautioned.

JAAF said that the government's inaction in finding and implementing a constructive solution to the current crisis urgently risks the imposition of potentially heavy costs the country will continue to pay over the long-term, including access to global markets.

Efforts to stifle peaceful protests have precipitated a political crisis, further complicating the situation, JAAF said.

JAAF fully supports the immediate appointment of financial and legal advisors to commence discussions with Sri Lanka's creditors. This will allow debt servicing obligations to be paused, relieving the pressure on the system.

In parallel, Sri Lanka should urgently engage with the International Monetary Fund (IMF) to seek bridging financing for essential imports, particularly for fuel, LPG and medicines, it suggested.

Seeking the assistance of the World Bank to reallocate unutilised funds from existing projects towards emergency relief programmes can also be an immediate safety net to those most affected by the crisis, it said.

As the crisis is hurting Sri Lanka's international reputation as a reliable sourcing destination and exporter, foreign buyers, investors and business partners are getting worried, it noted.

"It will be a steep, uphill battle to retain buyer relationships, which have been built with great effort over decades," A JAAF spokesperson was quoted as saying by Sri Lankan media reports.

Extended power cuts and inconsistent adherence to announced power interruption schedules have disrupted production planning and manufacturing, severely affecting small and medium enterprises.

The mandatory conversion of foreign exchange is complicating raw material imports, as banks are unable to meet their commitments to apparel exporters, JAAF added.

Source: fibre2fashion.com– Apr 11, 2022

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Turkiye's foreign trade using local currency on rise

Turkiye's foreign trade volume carried out with the Turkish lira has been rising, according to recent trade ministry data, which showed exports in Turkish lira reached TL 66.7 billion ($4.5 billion) as of 2021 end, while imports made in Turkish lira during that period were worth TL 116.4 billion, making foreign trade volume reach TL 182.8 billion last year.

Trade using the local currency increased in the first three months of this year as well. In January, such exports were worth TL 7.1 billion, while such imports were worth TL 12.5 billion, making the foreign trade volume TL 19.1 billion.

In February, such exports totalled TL 8.5 billion, while such imports were worth TL 13.5 billion. The foreign trade volume, therefore, was TL 22.1 billion.

In March, such exports amounted to TL 9.3 billion, an increase of 8.3 per cent compared to the previous month and of 71.9 per cent compared to the same month of 2021. In that month, the amount of imports in Turkish lira was TL 17.1 billion and the foreign trade volume increased to TL 26.4 billion, according to a Turkish news agency.

In the first quarter of this year, such exports increased by 71.8 per cent compared to the same quarter last year to reach TL 24.9 billion.

Source: fibre2fashion.com– Apr 11, 2022

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NATIONAL NEWS

Govt plans new export promotion council for technical textiles

The Centre set to announce new export target, says Jardosh. The government plans to set up a separate export promotion council for boosting shipments of technical textiles.

Inaugurating the Clothing Manufacturers Association of India's FAB Show, Darshana V Jardosh, Union Minister of States for Textiles, said there have been many export promotion councils for various fields of textiles and clothing. Being a new addition in textile field, the government is weighing the option of forming a separate export promotion council for technical textiles. Under the previous governments, she said there were no proper coordination between different ministries and nodal agencies but the present government has ensured that all concerned departments and ministries have smooth coordination and hence there is no need for a new textile policy.

On Textiles Upgradation Fund Scheme, the Minister said the government has to bear the brunt of various financial incentives announced by the previous government without making enough financial provisioning. The financial burden of unpaid incentives of previous governments have to be met by the present government, she said.

Export target

Having surpassed the export target in the previous fiscal, the government is all set to announce new target, she said. Rahul Mehta, past-President and current Chief Mentor of CMAI said the first FAB Show (Fabrics, Accessories and Beyond) to be held till Wednesday will have 200 participants and buyers from 8 counties. Rajesh Masand, President, CMAI, informed that Surat, which is often described as India's answer to China in fabric development, especially that of Man Made Fibre fabrics, will show case the latest innovations in MMF Fabrics.

Source: thehindubusinessline.com– Apr 11, 2022

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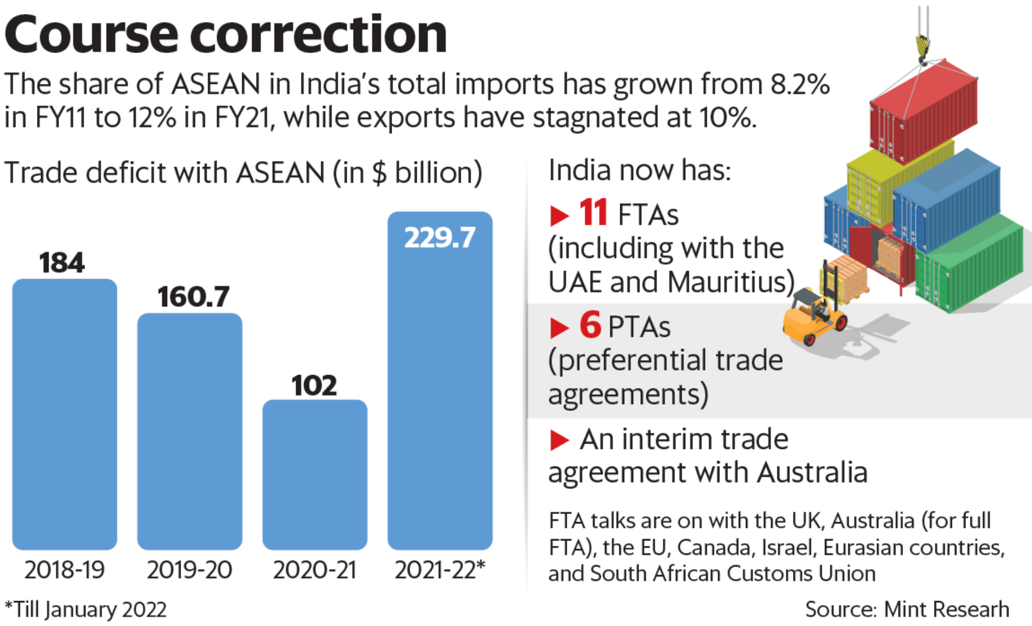
The importance of addressing tariff anomalies in trade agreements

India has long suffered from the anomaly of imported raw materials being taxed more than the finished product. Economists call it the inverted entitlement structure. A series of free trade agreements (FTAs) in the past have not helped. Are the new ones better? TBEN dives deep:



Why is the reverse service structure a problem?

Where manufacturers cannot deduct taxes paid on raw materials from the tax on the final product, the excess tax paid on inputs is built into the price of the product. This makes a product made in India more expensive than the imported finished product, which affects the competitiveness of Indian manufacturers. The problem is acute in sectors such as textiles and clothing. In December, the GST Board postponed tax rate changes on several industry items that were due to come into effect in January, under pressure from part of the industry. Correcting tariff anomalies is key to attracting investment in the manufacturing sector.

Will the new FTAs make the problem worse?

It seems unlikely. The FTAs currently being negotiated are structurally very different from those signed ten years ago. FTAs signed in the early 2000s covered manufacturing hubs like the 10 countries of ASEAN, which includes the Philippines, Vietnam, South Korea and Japan.

Most of these countries compete directly with India in a host of manufacturing sectors including apparel, electronics and engineered goods. They produced much of the same goods as India. In contrast, the new FTAs signed by India are with countries like the United Arab Emirates (UAE) which share complementarities with India in terms of trade interests.

How does India deal with tariff anomalies?

India has increased import duties since 2014-2015 to correct the inverted tariff structure for non-FTA countries and the average tariff fell from 13.5% in 2014 to 15% in 2020, according to the World Trade Organization (WTO). In fact, the last two budgets have sought to correct it by removing duty exemptions and lowering the duty on raw materials.

What impact have previous FTAs had on India?

In past FTAs, India agreed to reduce or eliminate duties on finished products. But import duties on raw materials remained high. It was therefore cheaper to import the final product than to manufacture it in India, which hurt domestic manufacturers. This is reflected in the fact that ASEAN's share of India's total imports fell from 8.2% in FY11 to 12% in FY21, while exports stagnated at 10 %. South Korea's share increased from 2.83% in FY11 to 3.23% in FY21, while exports increased slightly from 1.5% to 1.6% in during the same period.

And how are the new FTAs different?

The United Arab Emirates, for example, is a service-, oil-, and gold-driven economy rather than a manufacturer. India has duty-free access for mobile phones, which the UAE does not manufacture. Australia, which signed a pact with India last week, is again not a big manufacturing economy, but a service economy with key interests in wines and minerals, pears, oranges , etc. Incidentally, this time around, the government is holding consultations with industry during the FTA talks, doing a SWOT analysis to ensure that FTAs benefit India's exports.

Source: thebharatexpressnews.com– Apr 11, 2022

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GST Council meeting unlikely this month as some issues couldn't be taken up

The Goods and Services (GST) Council meeting may not happen this month as some key issues, like rate rationalisation, couldn't be taken up. Moreover, the Group of Ministers (GoM) is yet to take any view on this.

The panel was expected to submit a report by last month and suggest various steps to raise revenue, including hiking the lowest slab and rationalising the slab. Currently, GST is a four-tier structure attracting tax rates of 5, 12, 18, and 28 per cent.

"The last two meetings didn't reach any conclusion plus no fresh meeting is slated so far," two state finance ministers, also members of the panel, told Business Standard.

The earlier two meetings remained inconclusive as GoM felt it required more deliberations, keeping in mind the prevailing high commodity prices and their impact," said one of the panel members.

The slabs recast would have raised the weighted average GST rate to the revenue-neutral level of over 15 per cent, from the present-day 11 per cent.

"It is difficult to raise taxes or tinker with the current slabs. Merging the two rates (of 12 and 18 per cent) is challenging and may be done after taking a lot of internal and external factors into account, " said a senior government official.

In the meantime, the government expects the uptick in revenue collection figures, particularly from indirect taxes, to continue.

Last fiscal year, the Centre collected Rs 12.9 trillion in indirect taxes, taking the total revenue count to a record Rs 27.07 trillion.

March had witnessed the highest-ever GST mop-up to Rs 1.42 trillion. The government is hopeful of achieving Rs 1.5 trillion in the first quarter of the current fiscal year (2022-23).

Another official indicated that the next GST Council meeting could be held in May since Finance Minister Nirmala Sitharaman is scheduled to visit the US between April 18 and April 27. She is attending meetings at the Group of

Twenty, International Monetary Fund, and World Bank. Most of the meetings are in Washington DC.

For the GST Council meeting, states require prior intimation of at least seven days.

Meanwhile, the fitment committee — led by tax officials from the Centre and states, who had met last week — has had discussions on various issues, including pruning the exemption list and correcting the inverted duty structure. Besides, it also deliberated briefly on increasing the lowest slab to 6/7 per cent, from the current 5 per cent.

Essential items are either exempted or taxed at the lowest slab, while luxury and demerit items attract the highest slab. Luxury and sin goods attract cess on top of the highest 28 per cent slab. This cess collection is used to compensate states for the revenue loss due to GST roll-out.

However, rate correction of electric vehicles, tractors, and agricultural items are not on the cards, according to an official.

Experts, however, feel that an overhaul in GST slabs is the need of the hour.

Bipin Sapra, partner, EY, said, "The industry is looking at a rate rationalisation exercise to provide relief on a number of issues currently waiting to be resolved. Any increase in rate at this stage without rationalising the entire rate structure will create more inefficiencies," said Sapra.

Source: business-standard.com– Apr 12, 2022

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States must step up export drive

The Centre has laid the building blocks through its PLI policy. Regulatory reform within States should follow

Recently, the Commerce Ministry released the latest data on India's exports. For the first time, exports have surpassed $400 billion, a record that, if sustained, can position India as Asia's next industrial giant. This surge in exports coincides with the worst pandemic, demonstrating the resilience of the Indian economy, vibrancy of India's MSMEs, robustness of domestic supply chains, and the successful efforts by our policymakers.

India's exports have grown from $291.8 billion in FY21 to over $400 billion in FY22, a healthy growth of 37.1 per cent Y-o-Y. However, according to UNCTAD, the global trade growth rate is estimated to be around 25 per cent during the same calendar year. This puts India's performance much above the world average and will increase India's global trade share.

Unsurprisingly, this success is the result of a philosophical shift in the country's economic policymaking that began in the last few years. Four major building blocks make up a country's economy: consumption, investments, government purchases and exports-imports. Given India's colossal domestic market (consumption) is the bedrock of its economic growth, policymakers felt that stimulating demand would be the best way to ensure economic growth.

While this did generate short-term economic growth, it failed to lay the foundation for a strong manufacturing sector in the country. This is because increased imports always accompanied local demand generated through demand stimulus.

Supply thrust

Hence, in the last few years, the government decided to crank the supply levers of the economy first before relying purely on demand stimulus, as argued by most economists. Enhanced infrastructure spending, the launch of the flagship Production Linked Incentive (PLI) scheme for 14 sectors, extending working capital credit to MSMEs, addressing India's legacy, land and labour issues, addressing a myriad of regulatory issues under the aegis the ease of doing business initiative, and liberalising FDI are cases in point.

A closer look at the data provides evidence for the success of the government's initiatives. Between FY21 and FY22, in value terms, India's exports have grown by approximately $110 billion. Out of the 168 principal commodities, the top 21 products have recorded value growth of over $1 billion.

Most importantly, each of the principal commodities/sectors covered under the flagship PLI scheme has recorded staggering average value growth of around $3.53 billion and percentage growth of 55.7 per cent Y-o-Y. As a result, the PLI sectors have contributed $28.26 billion to total exports Y-o-Y.

Having laid the foundation, now the mantle needs to be carried forward. The momentum generated should be maintained, and this is where the role of the State governments becomes paramount.

Unlike our East Asian economic powerhouses, which have a unitary governance structure, India has a more diversified and Federal governance structure. Several lists are laid out by the Seventh Schedule list Article 256 of the Constitution: Union List, (41); all trade and commerce related activities (exports, imports and customs), list (83); duties of customs, including export duties, (61); industrial disputes concerning union employees, (51); establishment of standards of quality for goods to be exported out of India or transported from one State to another, (53); regulation and development of oilfields, (54); regulation of mines and mineral development are all governed by the Union government.

However, factors of production, list (17), water, (18), land, (24), industries not controlled by the Union Government, (26), trade and commerce within the State, (53), taxes on the consumption or sale of electricity, (1) public order, (2) police, are governed by the State governments.

Moreover, other important factors that determine the economic success such as Concurrent list (6), transfer of property, (7) contracts, (21), trade unions; industrial and labour disputes, (31), ports other than those declared by or under law made by Parliament or existing law to be major ports, (36), factories, (37), boilers, (38), and electricity are all under the combined jurisdiction of both Union and States. This means, both the Union and the State can regulate these sectors.

Hence, while the Central government can create schemes and incentives, ultimate implementation and production are controlled by the respective State governments. This gets aptly captured when we look at States' share of merchandise exports.

Top States

The top six States — Gujarat, Maharashtra, Tamil Nadu, Karnataka, Andhra Pradesh, and Uttar Pradesh — contribute nearly 70 per cent of India's overall exports. Therefore, while the achievements of these six States are commendable, it is also essential for other States to prioritise exports.

Identifying and incentivising products for manufacturing according to their strengths, addressing infrastructural issues in districts that contribute to their exports, easing up regulatory issues regarding land, labour, water, and electricity, and maintaining peace and harmony within their States will help them achieve higher exports.

NITI Aayog released its second edition of Export Preparedness Index, which has been playing a role in promoting competition between the States, resulting in overall improvement in preparedness scores compared to the previous edition.

India is placed in an historical sweet spot. The geopolitical headwinds and structural advantages which played a huge role in the success of China in the early 1990s are reappearing in the global horizon. Indian policymakers have laid down the necessary building blocks for the long-term growth of India's manufacturing and export sectors.

However, ensuring economic growth in India is not a solo act of a musician, but a combined effort of an opera. Hence, all the States must provide a major thrust towards their export sector and help in continuing the momentum of historical export surge of the country.

Source: thehindubusinessline.com– Apr 11, 2022

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RBI should increase the interest rate by 1 per cent to achieve zero percent real rate: Uday Kotak

Experts said RBI is prepping the ground for a shift in gears regarding the policy stance to neutral and eventually, hike repo rate

Uday Kotak, CEO and Managing Director of Kotak Mahindra Bank, on Sunday said the interest rate should be increased by 100 basis points if it has to move to zero per cent real rate.

“Sharp increase in inflation estimate to 5.7 per cent from 4.5 per cent assuming 100$ oil. Exit Q4 FY23 estimate 5.1 per cent. Present repo rate at 4 per cent. If India has to move to 0 per cent real rate, that is inflation - interest rate = 0, we need 1 per cent increase of rates. Four rate hikes of a quarter each?” the veteran banker said in a tweet.

The six MPC members on Friday unanimously chose to keep the policy repo rate unchanged at 4 per cent even as RBI sharply revised the FY23 inflation projection upwards to 5.7 per cent from 4.5 per cent earlier. The FY23 real GDP growth projection has been cut to 7.2 per cent from 7.8 per cent earlier.

Experts said RBI is prepping the ground for a shift in gears regarding the policy stance to neutral and eventually, hike repo rate. “The April review was decidedly more nuanced and cautious in the assessment and guidance with the RBI acknowledging upside risks on inflation and taking measured steps to exit from the extremely accommodative policy stance,” said Rajeev Radhakrishnan, CIO-Fixed Income, SBI Mutual Fund.

Source: thehindubusinessline.com– Apr 10, 2022

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High cotton prices a big worry for textile industries

Spiralling cotton prices amid reduced arrivals in the spot market has dented processing at ginning units and squeezed availability with garment units, worried about losing viability and increasing competition in the global market.

High cotton prices amid estimates of lower output have left textiles and garment units concerned about cancellation of orders from traditional buyers and losing business to competitors Bangladesh, Vietnam and China.

Rajesh Chordiya, a manufacturer of sheeting and flannel fabrics said, “Supplies of my raw material which is yarn has dropped by around 50 per cent. Across the sector, the spike in cotton and yarn prices, has led to shortage of raw materials forcing units to slash production. The acceptance of such hiked rates is also an issue troubling the textile and garment business.”

In the spot market, prices of the popular cotton variety have more than doubled to Rs 86,000 per candy of 356 kg as against the same period a year ago. Manufacturers said they are forced to cut down on working hours and slash production due to high input cost and reduced demand in the market.

An exporter from Indore wishing not to be named said, “Business is very difficult as such hiked prices and fluctuating market. Unreasonable price hike, makes manufacturers uncompetitive in the international market and we end up losing clients.”

Short availability of cotton in the market has hit processing at ginning units of the state.

Kailash Agrawal, vice president, Federation of Chamber of Commerce and Industries said, “Every year, I process around 60,000 bales at my ginning unit but this year I could do only 30,000 bales due to lower output and slack availability. The availability of cotton is low and this is hurting all stakeholders. Import of cotton is estimated to jump this year due to reduced availability in the home market this season.”

Source: timesofindia.com– Apr 12, 2022

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High time to attract fresh talent in textile and garment industry

India made history last month by achieving the ambitious target of $400 billion in export and we Indians have proud of this. What is even more overwhelming is that despite all odds our various sectors are aggressively working to continue this momentum and due to uncertainty in the global scenario, this is high time for India to mark its strong presence in global trade especially, the instability in countries which also have competition with India, at least in a few product categories.

The export of textiles is also doing well, and have a look at a few headlines of recent days, all spreading positivity about the Indian textile and apparel trade, almost 63 companies have applied for a massive PLI scheme, the Textiles Technology Development Scheme (TTDS) with more subsidy than Amended Technology Upgradation Funds Scheme (ATUFS) is on the way, 13 States have applied for 7 PM MITRA Parks and apart from headlines there are many companies across India, those are in process to enhance their production capacities, investing in new technology and even many are going for new factories with new technology.

National garment retail giants are almost acquiring brands, designers and other companies, continuously new stores are being opened, and textile and garment companies are also geared up for IPOs. So, there is a lot of positivity in this scenario.

Though the cotton price is as usual making new records and the industry is suffering a lot but another important point that is being missed and can be a big hurdle to achieving the garment export target, as well as the ambitious expected growth of the Indian market, is the lack of qualified trained professionals and skilled workforce for the hardcore production on stitching and other machines.

I don't see any effort to arrange for the mid-level managers, technical experts as well as tailors, and another workforce to complete the process from fabric production to managing retail operations of garments.

Without taking the support of data and going into the technicalities of the same, is it not sufficient to see that if the industry is expecting 100 per cent growth in the next 3-4 years, we need to double our workforce or enhance their number at least by 50 to 60 per cent. Yes, the workforce is now becoming multi-talented as well as multi-tasking, and factories are adopting maximum automation and ensuring monitoring of every process and step. There is growing use of software, robotics, AI, IOT etc. But can we deny the fact that textile and garments are labour-intensive industries, and will remain the same despite all possible use of technology?

At the same time, be it mid-level or blue collar jobs, new talent is hardly interested in textile manufacturing operations, especially in garment manufacturing. Retail may be an exception as it is a little comfortable compared to hardcore manufacturing activities.

NIFT or a few other such institutes which are a good source of mid-level managers are also witnessing a drop of professionals those wish to work in manufacturing activities as lucrative options like e-commerce, physical retail etc, for such young professionals are increasing. And correct me if I am wrong that despite, many official skill development schemes and individual efforts of companies in last decade, still there is a lack of skilled workforce in the garment industry.

Various hubs are still largely dependent on the migratory workforce and these migratory workers are not happy with their overall level of income and facilities they get in factories as well as the areas where they live to perform their work.

Many States, where the garment or even textile industry is dominating are not increasing the minimum wage to ensure a good or at least satisfactory life of workers. Brands, civil societies and other stakeholders are unable to create an industry that can give living wages.

In fact, the workers are in a vicious circle to work more to make more money. So, how the industry can attract new workers? How many of us have seen the young boys and girls of 18 or 19 years, joining the garment factories or textile mills happily. And even whatever joins the factories, how many of them have a dream to become production managers of the same factory.

The collective efforts are missing to attract the young workforce and it can be done only by improving the work culture of the factories, offering them more attractive wages, recognize their work and realise how important is their task, give them opportunities to get promoted.

At the same time, they should get support, time and motivation to continue their studies. Some of the factories are taking some steps so they can get a fresh workforce but it is a limited chunk of the entire industry. This is high time to think and work to attract young and fresh workforce in the textile and garment industry otherwise it will be too late as attracting the workforce takes time.

Source: thehansindia.com– Apr 12, 2022

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Unemployment rate falls, from grace

The unemployment rate fell in March 2022 to 7.6 per cent, from 8.1 per cent in February. But the good news on the labour market front stops here. All the other data points to worsening labour market conditions in March 2022.

The labour participation rate (LPR) fell to 39.5 per cent in March. This was lower than the 39.9 per cent participation rate recorded in February. It was also lower than during the second wave of Covid-19 in April-June 2021. The lowest that the LPR fell to during the second wave was in June 2021 — at 39.6 per cent. The average LPR during April-June 2021 was 40 per cent. March 2022, with no Covid-19 wave and with far fewer restrictions on mobility, has reported a worse LPR of 39.5 per cent.

The labour force shrank by 3.8 million during March 2022 to 428 million. This is the lowest labour force in eight months, i.e. since July 2021. Employment shrank by 1.4 million to 396 million in March 2022, which was the lowest level since June 2021. The count of the unemployed fell by 2.4 million in March 2022. This is what caused the fall in the unemployment rate. But, the fall in the absolute count of unemployed, or the unemployment rate, is not because more people got employed. We have already noted that employment actually fell in March, by a substantial 1.4 million.

What the labour market statistics of March 2022 show is India's biggest sign of economic distress. Millions left the labour market — they even stopped looking for employment, possibly too disappointed with their failure to get a job and in the belief that there were no jobs available.

This is not the first time that India has seen a fall in the labour force in a month wherein both its constituents — the employed and the unemployed — have fallen simultaneously. Some of this phenomenon occurring during a month could be a reflection of short-term labour market variations, or even sampling variations.

What stands out this time is that the labour force and both its constituents shrank during a larger period – of the quarter of March 2022. It is for the first time in over three years, i.e. since the quarter of June 2018, that we have such a decline in the labour force.

The decline in the LPR reflects the inadequacy of the growth in employment opportunities. This is because LPR compares the labour force with the working-age population. The working-age population continues to grow and if job opportunities do not grow in tandem, then the LPR falls. But, a decline in the labour force in absolute terms reflects a shrinkage in employment opportunities in absolute terms.

The matter gets worse when we dwell into the source of the fall in employment. The composition of the 1.4 million fall in employment in March 2022 reveals a much bigger problem. Non-agricultural jobs fell by a whopping 16.7 million. This was offset by a 15.3 million increase in employment in agriculture.

Such a large increase in employment in agriculture is likely a seasonal demand for workers preparing for the rabi harvest. But, March is a tad early for the rabi harvest. It is possible that a significant portion of the increase in employment in agriculture in March was disguised unemployment.

The fall in non-agricultural jobs in March is large and, therefore, worrisome.

Industrial jobs fell by 7.6 million in March 2022. The manufacturing sector shed 4.1 million jobs; the construction sector shed 2.9 million; and mines shed 1.1 million jobs. Utilities saw a small increase. Manufacturing industries that reported a fall in jobs were the large organised sectors — cement and metals.

The fall in manufacturing jobs is surprising. After a disastrous 2020-21, manufacturing jobs had been recovering thro-ugh most of 2021-22. Except in July 2021, when employment in manufacturing was lower than it was in the year-ago month, and that was by a whisker, em-ployment in all other months till February 2022 was higher than in the corresponding year-ago month.

March was expected to maintain the momentum. The fall in March 2022 is, therefore, surprising. The March employment was a 12.5 per cent fall over February (which had fewer days) and it was a 4.3 per cent fall over March 2021, which was right before the second wave of Covid-19. The fall in March is also surprising because traditionally, March was seasonally a far busier month than other months of the year.

The construction sector has recovered from the lockdown shocks. But, it has stagnated at employing about 64 million. It is unable to get back to its 68-72 million levels of employment in 2018. In March 2022, employment in the construction industry was down to less than 62 million.

Employment in retail trade is comparable to construction. The trade employed a record 70 million in February 2022. This fell to 65.6 million in March.

The 1.4 million fall in employment in March translates into a fall in the employment rate as well. The employment rate, or the proportion of the working-age population that is employed, is the most important labour market indicator. The employment rate fell from 36.7 per cent in February 2022 to 36.5 per cent in March.

Data for March 2022 has revealed once again that the unemployment rate is an unreliable indicator of economic conditions.

Click here for more details

Source: business-standard.com– Apr 12, 2022

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