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IBTEX No. 74 of 2022 — April 21, 2022

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INTERNATIONAL NEWS

Citing Russia's war, IMF cuts global growth forecast to 3.6%

The International Monetary Fund on Tuesday downgraded the outlook for the world economy this year and next, blaming Russia's war in Ukraine for disrupting global commerce, pushing up oil prices, threatening food supplies and increasing uncertainty already heightened by the coronavirus and its variants.

The 190-country lender cut its forecast for global growth to 3.6 per cent this year, a steep falloff from 6.1 per cent last year and from the 4.4 per cent growth it had expected for 2022 back in January. It also said it expects the world economy to grow 3.6 per cent again next year, slightly slower than the 3.8 per cent it forecast in January.

The war — and the darkening outlook — came just as the global economy appeared to be shaking off the impact of the highly infectious omicron variant.

“The war will slow economic growth and increase inflation," IMF chief economist Pierre-Olivier Gourinchas told reporters on Tuesday.

Now, the IMF expects Russia's economy — battered by sanctions — to shrink 8.5 per cent this year and Ukraine's 35 per cent.

How are different countries faring?

US economic growth is expected to drop to 3.7 per cent this year from 5.7 per cent in 2021, which had been the fastest growth since 1984. The new forecast marks a downgrade from the 4 per cent the IMF had predicted at the beginning of the year. Hobbling US growth this year will be Federal Reserve interest rate increases, meant to combat resurgent inflation, and an economic slowdown in key American trading partners.

Europe, heavily dependent on Russian energy, will bear the brunt of the economic fallout from the Russia-Ukraine war. For the 19 countries that share the euro currency, the IMF forecasts collective growth of 2.8 per cent in 2022, down sharply from the 3.9 per cent it expected in January and from 5.3 per cent last year.

The IMF expects the growth of the Chinese economy, the world's second biggest, to decelerate to 4.4 per cent this year from 8.1 per cent in 2021. Beijing's zero-Covid strategy has meant draconian lockdowns in bustling commercial cities like Shanghai and Shenzhen.

Some commodity-exporting countries, benefiting from the rising price of raw materials, are likely to defy the trend toward slower growth. For example, the IMF raised its growth forecast for oil producer Nigeria — to 3.4 per cent this year from the 2.7 per cent the fund said it expected back in January.

The world economy had bounced back with surprising strength from 2020's brief but brutal coronavirus recession. But the rebound presented problems of its own: Caught by surprise, businesses scrambled to meet a surge in customer orders, which overwhelmed factories, ports and freight yards. The result: long shipping delays and higher prices.

The IMF forecasts a 5.7 per cent jump in consumer prices in the world's advanced economies this year, the most since 1984. In the United States, inflation is running at a four-decade high.

Central banks are raising interest rates to counter rising prices, a move that could choke off economic growth. By driving up prices of oil, natural gas and other commodities, the Russia-Ukraine war has made their task of fighting inflation while preserving the economic recovery even trickier.

The conflict also has “triggered the biggest refugee crisis in Europe since World War II," the IMF noted, and cut supplies and raised prices of fertilizer and grain produced in Russia and Ukraine, threatening food security in Africa and in the Middle East. In a speech last week, IMF managing director Kristalina Georgieva warned of the threat of “more hunger, more poverty and more social unrest."

Source: thehindubusinessline.com– Apr 20, 2022

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Global supply chain disruption set to get worse due to delays at Chinese ports

The trade in India is worried about diversion of large volumes of empty containers to China to load cargo for the US markets at a premium

Source: Statista *as of 2021

The already stretched global supply chain crisis is all set to get worse. In fact, with Chinese ports operating at bare minimum capacity due to the Covid-related restrictions imposed by the government, the disruption in the movement of goods is expected to reach alarming proportions.

While the problem is very bad between the US and China — the world's busiest shipping route — it will have a cascading impact in other routes, including India-US. Experts believe that the disruption faced last year will pale into insignificance compared to what is coming.

In the container trade, it is true that when China sneezes, others will get cold. This is because seven of the top ten global container ports (including Hong Kong) are in China.

Till a month ago, sending containers with cargo from Asia, especially China, to the US was an issue as US ports were congested with hundreds of ships waiting in the anchorage. It's the reverse now.

Throughput crashed

Ships are waiting at Chinese ports as their throughput has crashed due to Covid restrictions. Shipping line Maersk stopped all new reefer and dangerous cargo bookings effective April 14 in Shanghai, the world's largest container port, until further notice.

“We regret to inform you that several vessels will be omitting Shanghai,” said an advisory given by the world’s largest shipping line. Other lines have also issued similar advisories. Ningbo-Zhoushan port, the third largest globally, is also impacted. Maersk's Ningbo office remained closed from April 13 until further notice.

Low throughput is not the only challenge. Even as ships wait to load/unload cargo in Chinese ports, lakhs of empty containers meant for China are stuck at US ports and warehouses. This is causing a huge imbalance in the supply and demand for boxes. In the US, there is a pile-up of empties as those containers cannot be repatriated back to Asia because of several disruptions one after the other in the past two years, said Christian Roeloffs, co-founder and CEO, Container xChange.

Impact in India

Even If things return to normal in China, the trade in India is worried about possible diversion of large volumes of empty containers to China to load cargo for the US markets at a premium, said an official of a leading shipping line.

Prabhu Dhamodharan, Convenor at Indian Texpreneurs Federation shares this fear. Accessory importers may face delays in getting their shipment. The shortage of containers could aggravate further and there is a possibility that shipping freight rates, which have been reduced a bit recently, could increase due to possible diversion of empty containers to China. Typically, the exporters start their shipments from June and last till December..

“When Shanghai re-opens, we may see an avalanche of pent-up demand from the backlog of orders that were scheduled to leave Shanghai in March and April, “warns Jon Monroe, a global expert in shipping. A perfect condition for the diversion of empties.

With no end to Russian-Ukraine war, China's zero Covid policy and consequent lockdowns, Disruption is bound to happen given the fact that war is extending, China is facing pandemic lockdown, low throughput not just in China but also in US and European ports and global shortage of containers will impact exim trade of Indian business especially exports, said G Raghu Sankar, Executive Director, International Clearing and Shipping Agency (India) Pvt Ltd.

At a time when Indian exports are booming and the country is ambitiously looking to grow its merchandise exports to $1 trillion by 2027, supply chain disruptions can turn out to be a real spoiler.

Source: thehindubusinessline.com– Apr 20, 2022

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Brazil's cotton index remains stable in first fortnight of April

Cotton prices fluctuated slightly in the Brazilian market in the first fortnight of April, influenced by the dollar and the quotations of the product abroad. Still, the CEPEA/ESALQ Index for cotton stayed around BRL 7.1/pound during the entire fortnight. Between March 31 and April 14, this Index dropped by 0.87 per cent, to BRL 7.1951/pound on April 14.

"In the national spot market, liquidity was constrained by the dispute between agents for price and quality. Many purchasers, majorly agents from processors, stayed away from the market, working with the cotton stocked and/or being delivered (previously purchased). These buyers considered the prices in the spot too high and reported difficulties to pass these values to by-products. Only the purchasers with urgent needs bought cotton in the first half of April," the Sao Paulo-based Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

Some sellers, mainly farmers, were slightly willing to lower asking prices in order to close new deals. But many farmers did not have urgent sales needs and were focused on the management of developing crops.

As for term contracts, agents were interested in closing deals for delivery in the coming months, majorly for the cotton from the 2020-21 and the 2021-22 seasons. However, the gap between asking and bidding prices constrained deals, which were mostly fixed in real and/or in dollar. Besides the industry trying to ensure raw material for production, trading companies were also interested in buying cotton directly from farmers, the report added.

So far, at least 44 per cent of the 2020-21 Brazilian crop and 26.8 per cent of the 2021-22 crop have been sold, according to the data from the BBM compiled by CEPEA. In the five previous seasons, the average was 86.9 per cent.

In terms of volume, in the 2020-21 season, 1.056 million tons of cotton has been sold. Of this, 488,040 tons has been bought by the domestic market, while 468,570 tons has been sold to the international market; 99,700 tons were sold through flex contracts (exports with an option to sell in the Brazilian market). Of the 2021-22 season crop, 756,860 tons have been sold, mostly to be exported (418,980 tons) and 255,300 tons in the Brazilian market; flex contracts account for 82,560 tons.

Data from Imea released on April 11 showed that in the province of Mato Grosso, 98.57 per cent of the 2020-21 output, almost 68 per cent of the coming crop and 22.9 per cent of the 2022-23 harvest have been sold.

In a separate report released on April 7, CONAB (Brazil's National Company for Food Supply) estimated the national area with the 2021-22 cotton crop at 1.6 million hectares, stable compared to that reported in March but 16.8 per cent larger than that in the previous season. Productivity is expected to increase by 2.7 per cent compared to that in 2020-21, to 1,767 kilogram per hectare.

Thus, the output may be 19.9 per cent higher than the last season, totalling 2.82 million tons. Compared to that estimated in March, productivity and the output were revised up by 0.13 per cent and 0.12 per cent respectively.

Source: fibre2fashion.com– Apr 21, 2022

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Asian economy's 2022 growth rate expected to reach at least 6.5%: BFA

The Asian economy's growth rate this year is expected to reach at least 6.5 per cent, according to a report released recently by the Boao Forum for Asia (BFA). The figure is a notable rebound from the 1.7-per cent contraction witnessed last year. South Asia will see its economy grow 9.7 per cent this year, the fastest growth in the region.

East Asia is expected to see its economic growth hit 6.5 per cent during the year, the report, titled 'Asian Economic Outlook and Integration Progress', said citing data from the International Monetary Fund (IMF).

Despite the impact of the COVID-19 pandemic, the Asian economy has presented many highlights and opportunities, according to the report.

It attributed the relatively high growth rate to effective epidemic control and orderly production and work resumption in China and South Korea, among other factors, a news agency reported.

The Asian economy has taken up a growing share of the world economy. Measured by purchasing power parity, the region's economy is expected to account for 47.9 per cent of the world's total in 2021, up from 45.3 per cent registered in 2017, according to the IMF data the report cited.

Asian economies have introduced new measures to promote the digital economy, advancing digital infrastructure construction and international digital cooperation, among other initiatives.

The digital economy has helped promote production resumption, stabilised the economic situation and become a new driving force for Asia's economic growth in the future.

The economic and trade cooperation among Asian countries has continued to deepen.

By February 2021, 186 regional trade agreements were in force, accounting for 54.9 per cent of the global total, the report said, citing data from the World Trade Organisation.

In particular, the signing of the Regional Comprehensive Economic Partnership Agreement in November last year will further accelerate the Asian economic integration, added the report.

Source: fibre2fashion.com– Apr 21, 2022

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Australian Cotton Conference to be held from Aug 16-18 in Gold Coast

The Australian Cotton Conference that will bring together new and experienced farmers, agronomists and researchers, brands and marketers, students, supply chain partners, industry groups and cotton groupies, will be held from August 16-18, 2022. The conference will be jointly hosted by Cotton Australia and the Australian Cotton Shippers Association.

A holistic and considered programme of expert (and entertaining) speakers drawn from inside and outside cotton, cutting edge research and innovation, practical advice and good old fashioned conversation, will engage and inspire delegates from the farm, right along the cotton supply chain, the organisers said in a press release.

With around 100 exhibitors, the trade hall will provide a focal point for the critical networking that brings the industry together during the conference, as well as showcasing the new products and technologies taking Australian cotton to the next level.

The committee has begun planning an exciting programme for this in-person event which will bring together expert speakers, farmers, researchers, innovators and industry representatives from throughout the cotton supply chain. The website will be updated as more information comes to hand and speakers are confirmed.

Source: fibre2fashion.com– Apr 20, 2022

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China's central bank cuts RRR by 0.25 percentage points from Apr 25

The People's Bank of China (PBOC) recently announced that the reserve requirement ratio (RRR) will be cut by 0.25 percentage points from April 25, except for financial institutions that have implemented a 5 per cent RRR. RRR is the amount of cash that banks must hold as reserves. The step is expected to free up 530 billion yuan ($82.95 billion) in long-term liquidity.

The decision is part of the government's efforts to support development of the real economy and reduce comprehensive financing costs. The cut will reduce the funding costs for financial institutions by about 6.5 billion yuan per year, the country's central bank said.

PBOC has reaffirmed its stance on implementing a prudent monetary policy, avoiding 'flood-like' stimulus, and better utilising monetary policy tools to adjust both the monetary aggregate and the monetary structure, official Chinese media reported.

Source: fibre2fashion.com– Apr 20, 2022

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US' Textile Exchange publishes Certification Procedures for CCS 3.0

Textile Exchange has published the Certification Procedures for the Content Claim Standard (CCS) 3.0. Due to delays with the release of CCS 3.0 Certification Procedures, Textile Exchange is granting an extension period for brands that are pursuing new scope certificates. The new mandatory date for brand certification is April 1, 2023.

The Certification Procedures is the document that certification bodies use to interpret the requirements of the standard. This extension has been written into the CCS 3.0 Certification Procedures and there is no action required on the brand side to take advantage of this extension, Textile Exchange said in a press release.

Certification bodies will continue to accept new claim approval applications from direct suppliers up until March 31, 2023. After April 1, 2023, only certified brands may apply for claim approvals.

Following a standard revision involving an International Working Group, Textile Exchange launched Version 3.0 of the CCS on June 29, 2021, with an effective date of July 1, 2021, and a mandatory date of July 1, 2022. One of the key updates to the standard is the adjustment of the scope of chain of custody. Under the CCS 2.0, product-related claims were only allowed if the entire supply chain up to the seller in the final business-to-business transaction was certified. In the CCS 3.0, product-related claims may only be made if chain of custody is in place up to the brand, regardless of the brand's distribution model. This means brands were required to be certified by July 1, 2022, to make product-related claims, the release added.

Due to delays with the release of CCS 3.0 Certification Procedures, the document certification bodies (CB) use to audit the standard, Textile Exchange is granting an extension period for brands that are pursuing new scope certificates. This extension has been written into the CCS 3.0 Certification Procedures and there is no action required on the brand side to take advantage of this extension.

Source: fibre2fashion.com– Apr 20, 2022

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Levi's to Open 100 Stores in Thailand Before Summer

Levi Strauss & Co. (LS&Co.) is expanding its retail presence in Asia following positive traction in the region. The heritage denim brand company announced plans to launch new Levi's stores and update existing ones throughout the East Asia Pacific region including locations in Japan, Australia, Indonesia, Singapore, Malaysia and Thailand. Within the first half of 2022 alone, it will open more than 100 locations in Thailand.

"Thailand is an important market for us, and Levi's is recognized as the No. 1 jeans brand here," said Sameer Koul, LS&Co. general manager, Southeast Asia. "Through digital innovation, we are reshaping brand experiences for a younger generation of style-conscious consumers, and we will stay true to our values by placing people at the heart of our business and by being an advocate for positive change through responsible practices."

Levi's expansion news follows a record year of success for the brand, which reached a revenue mark of over $5.8 billion—a 29 percent improvement from 2020 and its highest since 1998. The success was partially driven by its Asia market, which saw an 11 percent net revenue bump thanks to its DTC and wholesale channels. DTC net revenues rose 17 percent on strong performance in company-operated stores, as well as e-commerce, which was up 22 percent. Wholesale net revenue increased 5 percent, and net revenue through all digital channels grew 17 percent and accounted for 14 percent of segment sales.

Levi's other recent expansion targeted Latin America, where it opened several NextGen stores after the region showed significant potential for growth. Despite 10 percent of Levi's stores being closed in Q3, global brick-and-mortar was up 1 percent compared to 2019, with strong growth in the Americas.

The brand is also focused on expanding into 300 additional Target stores beginning this spring, bringing the total number of U.S. Target doors its blue jeans are sold in to 800.

Levi's store updates in Asia will center on switching existing locations into NextGen formats, which offer an elevated shopping experience with digital tools like LED portal entry archways and LED screens streaming immersive content. The brand debuted its NextGen retail concept in 2019 with just six stores across Europe and Asia as a way to reposition its traditional retail stores to deliver omnichannel experiences and accommodate the rise of digital.

Stores will offer options such as Buy Online Pickup In Store (BOPIS) as well as the brand's latest digital innovations in data and AI. The company recently doubled down on its digital innovation efforts, and hosted companywide hackathons that have birthed shopping-enhancing ideas like chatbots, self-checkout and online video shopping modules that can be easily managed by creative, marketing and merchandising teams. Next up, it's looking to the public to pitch the next award-winning concept that will enhance the shopping experience.

Source: sourcingjournal.com– Apr 20, 2022

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World Bank reveals apparel among fastest growing exports for Vietnam

The visit comes as a recent white paper released from the World Bank, shows Vietnam was expected to register the highest trade and income gains, mainly due to the implementation of the Regional Comprehensive Economic Partnership (RCEP) which helped to partially mitigate the negative economic impacts of Covid in the East Asia and the Pacific region.

The report explains that among RCEP members, the analysis suggests that in an already deeply integrated region, tariff liberalisation alone brings little benefit, with estimated real income gains of 0.21% relative to the baseline (without the RCEP) in 2035. The biggest benefits accrue when the productivity gains are considered, increasing real income by as much as 2.5% for the trade bloc. In this scenario, trade among RCEP members increases by 12.3% in 2035 relative to the baseline.

The report also reveals the RCEP has the potential to lift 27 million additional people to middle-class status by 2035. It will boost wages, with faster gains in sectors that employ larger shares of women, the report explains.

It goes on to show that textiles, wearing apparel, meat products, food and beverages and chemicals are the sectors registering the fastest growth rates of exports. This is linked to both the reduction of tariffs and reductions of non-tariff measures.

World Bank vice president for East Asia and Pacific, Manuela V. Ferro discussed Vietnam's development priorities and challenges with Vietnam's Prime Minister Pham Minh Chinh, National Assembly Chairman Vuong Dinh Hue, and other high-ranking officials. She explained how the country can use support of the World Bank to achieve transformational and tangible improvements in the lives of the Vietnamese people.

Ferro said: “We are committed to working with Vietnam as it charts a renewed course towards ambitious development goals.”

She added: “Our partnership will focus on strategic areas that promote productivity-led, climate-resilient, inclusive growth, contributing the

World Bank's global and local expertise, embedded in evidence-based analysis and financing."

Ferro and Prime Minister Chinh have agreed to produce a report together titled Vietnam 2045 that will aim to help Vietnam realise its aspiration of becoming a high-income economy by 2045. The report will take stock of reforms laid out in 2016's Vietnam 2035 roadmap, analyse how Vietnam's economic trajectory has been affected by the pandemic and other global mega-trends, and provide recommendations to inform policy reform discussions leading up to the fourteenth Party Congress, scheduled for early 2026.

"Vietnam's development journey is evolving and so is the nature of our partnership," said Ferro. "The World Bank will offer innovative solutions that address new development challenges and fit the unique profile of Vietnam's development opportunities."

Ferro also visited Ho Chi Minh City recently to broaden the partnership between the World Bank and Vietnam's economic powerhouse. During a meeting with the Chairman of Ho Chi Minh City People's Committee Phan Van Mai, the two sides discussed the challenges facing the city as it bounces back from Covid-induced recession and explored how it could mobilise knowledge and financial resources from the World Bank to boost its competitiveness and resilience. A joint HCMC-World Bank Working Group was formally launched to prepare an engagement plan for the coming years.

The World Bank's current portfolio in Vietnam consists of 33 operations, worth a total of $5.72bn focused on transforming livelihoods and increasing infrastructure's resilience to climate risks, education, health care, transport, energy, water resource management, and urban resilience. Since its re-engagement in Vietnam in 1994, the Bank has committed a total of more than $25.3bn toward financing Vietnam's development.

Source: just-style.com– Apr 20, 2022

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Pakistan must focus on export potential

There is a good news that Pakistan's exports of goods have witnessed an increase of 33.09 percent in rupee terms during the first three quarters of the current fiscal year compared to the same period last year. As reported by the Pakistan Bureau of Statistics (PBS), the main commodities of exports during March, 2022 were knitwear (Rs. 76,350 million), readymade garments (Rs. 61,937 million), bed wear (Rs. 46,869 million), cotton cloth (Rs. 37,732 million), rice others (Rs. 33,981 million), towels (Rs. 18,483 million), cotton yarn (Rs. 16,594 million), made up articles, excluding towels & Bedwear (Rs. 12,669 million), rice Basmati (Rs. 11,463 million) and petroleum products (Rs. 8,148 million).

Among these commodities, textile remained one of the area where the exports have increased significantly. Undoubtedly, it is good development and in order to keep the trend upward, the government needs to give more incentives to the exporters of the country.

While it may be a moment to rejoice for the exporters, however, looked at from a holistic perspective, it betrays a fundamental flaw with the over-arching policy of the country's exports; the costly electricity. The exports industry, by and large, has been suffering from the monstrous price of electricity provided to the industrial sector which jacks up the costs of manufacturing goods.

By the time the end product comes out of the factories, it already is cumbered with an exorbitant cost, making it more expensive for the consumers within the country and importers without, making indigenous products highly undesirable. The goods coming out of China, for example, leave the Pakistani products in their wake due to their low costs. Pakistan, despite its proverbial abundant natural resources, has a tremendous cost of electricity.

The statistics are harrowing if the cost of labor is taken into perspective. The minimum wages of workers in Pakistan, as things currently stand, are amongst the lowest in the world. Globally, China has been able to send the US job market into a meltdown by making US companies outsource their manufacturing to China due to the cheap labor available there.

While conditions for Pakistani wage workers are similar to, if not worse than, those in China; the volume of Pakistani exports is still incomparably low.

Apart from the poorly skilled labor available in Pakistan, the single most significant factor in this difference is the cost of manufacturing goods. The government needs to decrease the price of electricity to fully utilize export potential of the country. It is also a fact that Pakistan is a donor/aid dependent country.

However, what never ceases to amaze is the fact that we do not put any effort into being anything but that, into reforming our economic system in such a way that we can tuck away our begging bowl and hold our heads up high. The government needs to invest money on setting up more industries. It should hire young talented people who can set up local automobile, mobile phone, medical, aviation industries and invest money on locally made products.

When the export will rise, we can get rid of the IMF debt.

Source: minutemirror.com.pk– Apr 21, 2022

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NATIONAL NEWS

Govt likely to set export target of $800 Billion for FY23

India is likely to set an ambitious export target of around $800 billion for goods and services for 2022-23, almost 19.5% higher than $670 billion clocked in 2021-22. The targets - of $450-480 billion for merchandise and $350 billion for services - were discussed in a series of meetings that commerce and industry minister Piyush Goyal had with exporters on Wednesday.

India's goods exports touched a record $420 billion in 2021-22, exceeding the government's target by about 5% and up 40% on-year while services exports touched $250 billion.

"These are consultative meetings and the targets are yet to be fixed," said an official. Exporters raised the issue of high prices of inputs as buyers are now reluctant to raise prices proportionately due to sufficient inventory and lack of demand.

Restoration of the Market Access Initiative scheme for opening of warehouses overseas, easing of visa requirements for inbound tourism and a revised Transport and Marketing Assistance scheme for certain agricultural products in view of the opportunity in farm exports from the Russia-Ukraine crisis were also taken up, according to sources.

"Despite a rise in Covid cases globally, there is an expectation that travel and tourism will grow this year," said an industry representative.

Source: economictimes.indiatimes.com– Apr 21, 2022

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Production Linked Incentives (PLIs) will help us create global champions – Shri Piyush Goyal

The Union Minister for Commerce and Industry, Consumer Affairs, food and Public Distribution and textiles, Shri Piyush Goyal today said that India had the potential to achieve USD 1 Trillion services and merchandise exports each by 2030. Addressing the '21st Civil Services Day 2022, Plenary Session on Aatmanirbhar Bharat – Focus on Exports' in New Delhi today, the minister stressed upon the need to make exports the fulcrum of India's growth.

Conveying his congratulations and best wishes in advance to Civil Services officers across the country on the occasion of 21st Civil Services Day, Shri Goyal said that it was indeed an occasion for the civil servants to renew their dedication to the cause of the nation and reiterate their commitment to public service. "Always be conscious that lakhs of lives are affected by every decision, action and signature of yours", the Minister told the officers.

Dwelling on the History of the Indian Civil Services, the Minister said that during the pre-independence era, the approach of service largely remained pro-British due to compulsions of being under the foreign rule. On a positive note, the Minister said that in the last 75 years, there have been a lot of deliberation on the outlook, character and design of Indian civil services, which have helped it performed very well in the last seven decades.

The minister congratulated all the winners of PM Awards for providing innovative, participative and technology driven administrative solutions to modern problems.

Speaking of the challenges thrown by the COVID 19 pandemic, the Minister said that India was able to turn the crisis into an opportunity to realize the enormous potential that it had to engage with the world from a position of strength.

The Minister observed that one of the biggest beneficiaries of our hard work during the pandemic was the services sector which has grown by leaps and bounds. We had a USD 250 billion export of services during the last year and this was achieved despite travel, tourism and hospitality being severely affected due to Covid-19, he said.

Applauding the achievement, Shri Goyal said that one of the reasons it was made possible was the adaptability and speed with which we reconfigured our processes and rules, facilitated working from home, ensured that people could move equipment, secured broadband access to all. Asserting that all through COVID, India did not let down a single international commitment, the Minister said that the world wanted to deepen its engagement with India because India was trusted to deliver, even in the most adverse of circumstances.

Speaking of India's robust, living and active democracy, Shri Goyal said that rule of law prevailed across the country and that we had transparent models of governance, a very active media, strong judiciary and democratic institutions and systems that always upheld the right against the wrong. This makes India a trusted partners to the world, both in the geopolitical sphere as well as trade, he added.

It may be noted that India achieved USD 419 bn in FY 21-22, touched USD 30 billion of exports every month and in March, it touched USD 42 billion. The growth momentum has been maintained in the first 14 days of April with touching USD 18.5 billion.

The Minister said that the achievement of such targets was only possible because of the 'whole of the government' and 'whole of the nation' approaches that we have adopted, the Minister said, with Centre, States Local Bodies, Public Sector Undertakings, autonomous bodies working together to achieve feats like USD 420 billion merchandise exports and USD 250 billion services export, both first of its kind accomplishments.

This achievement is not just a milestone in our Aatmanirbhar Bharat journey, but also a message to the rest of world - that New India offers quality, reliability and scale, Shri Goyal added.

Highlighting the immense potential for growth in exports, the Minister said that labor-oriented sectors like gems and jwellery, textiles, pharma, handloom, handicrafts, leather, etc must receive greater push to boost employment and income generation.

Touching upon the need to develop scale, the Minister said that Production Linked Incentive (PLI) schemes are making our industry competitive by bringing in Economies of Scale and will help us create global champions.

Elaborating upon the importance of peaceful labor environment to ensure flow of investment into the country, Shri Goyal complement labor for the hard work they put in and for peaceful conduct of economic activity all over the country. He added that there was no significant incident of labor disruption in the last 8 years and added that even when businesses had to be shut because of the lack of viability, the government took care to give the labor their due. Stating that having robust labor laws will ultimately benefit labor and create more job opportunities, the Minister said.

Speaking of the recent decision to remove the import duty on cotton, the Minister clarified that that the decision was made to ensure the affordability of cotton particularly in a scenario where cotton prices stood at almost twice the Minimum Support Price, making textile exports uncompetitive.

The lower import costs will boost manufacturing, create jobs, increase the disposable income of people, boost investment, demand and economic activity and create a virtuous cycle, he added. The minister said that the government also recently removed anti-dumping duty on several raw materials for the same reasons.

Mentioning that our share in global goods trade was under 3% in 2021, the Minister said that there is immense scope for growth. For this to happen, the Centre and States have to work in tandem, he added and asked District collectors to promote exports in their districts.

Observing that India had the 2nd largest US FDA approved Pharma manufacturing units, Shri Goyal asked all pharma units, big and small to adopt good manufacturing practices (GMPs) and global quality standards in all processes. He said that India must strive to become a member of Pharmaceutical Inspection Co-operation Scheme (PICS) so that we may succeed in taking our pharma export to USD 200 billion by earning the trust of the world through certification.

Source: pib.gov.in– Apr 20, 2022

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Exports is the virtuous circle of prosperity that we have to focus upon, says Shri Goyal

Union Minister of Commerce & Industry, Consumer Affairs and Food & Public Distribution and Textiles, Shri Piyush Goyal has called upon the Cost & Management Accountants to ensure quality production by industry and help boost India's exports. Cost Accountants help make the Indian Industry cost competitive and cost conscious, he said.

"If we start loading costs to our export products and if we literally start doing marginal costing on the other hand, it can make a world of difference to our cost competitiveness, our ability to increase our exports and, frankly, our ability to (a) recover its cost and (b) start reporting profits," said Shri Goyal, after giving away the '17th National Awards for Excellence in Cost Management-2019' and '5th CMA awards-2017 & 6th CMA Awards-2019', organised by the Institute of Cost Accountants of India (ICAI) here today.

Shri Goyal said 'Exports' is the "virtuous circle of prosperity" that we have to focus upon.

"Anything we add on the exports front is adding to our economic activity; when we add to our economic activity, look at what all we are doing, - (a) we earn precious foreign exchange, which will help us balance our import requirements, our foreign currency requirements, in addition to, of course, investments and large remittances that over 3 crore Indians all over the world send to India, but we still have a shortfall," he said.

Underlining a strong and stable Rupee will be for the "wider good" of foreign trade, Shri Goyal said our higher Forex reserves help our currency from depreciation.

"If we can save our currency from depreciating, we can reduce interest rates, we can reduce the impact of inflation on our society, after all we have a large number of products that we are importing," he said.

Shri Goyal said ICAI has been nurturing the Cost & Management Accountant (CMA) professionals for 78 years. Today, it is the 2nd largest Cost & Management Accounting body in the world & largest in Asia, with more than 85,000 professionals, and about 5 lakh students pursuing CMA.

Shri Goyal said the CMAs are the guardians of growth. Keeping a check on costs, they help organizations in ensuring that there's efficiency in every activity, he said.

"Let's all take one step ahead in this journey. And as the Prime Minister says, 'When each one of us takes one step, it's 135 crore steps towards prosperity," he said.

Source: pib.gov.in– Apr 20, 2022

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UK PM's India visit to add momentum to FTA talks

British negotiating team to visit New Delhi next week to discuss exchange of market access offers for FTA

British Prime Minister Boris Johnson's two-day visit to India, starting on Thursday, is set to add momentum to the on-going negotiations for the proposed India-UK Free Trade Agreement (FTA), which aims to double bilateral trade to $100 billion by 2030.

A high-level trade delegation from the UK will visit New Delhi next week to carry out the next round of FTA negotiations, and will engage with their Indian counterparts the entire week, a source tracking the matter told BusinessLine.

"The two sides, headed by the chief negotiators, will discuss market access offers in areas such as goods, services, investments and government procurement," said the source.

Johnson is keen to promote FTAs with significant trading partners like India, which offer big markets to British companies, following the UK exiting the European Union. "A trade deal with India's booming economy offers huge benefits for British businesses, workers and consumers," said Johnson at the formal launch of FTA talks earlier this year.

When Johnson meets Indian Prime Minister Narendra Modi on April 22 in New Delhi for bilateral talks, the two are likely to talk about expediting the ongoing FTA talks and concluding it soon. "The FTA talks are extensive as they cover 26 policy areas. It is not possible to have a very early deadline as several complicated issues including new areas like government procurement, gender, competition, sustainability, trade and development and digital trade, will be up for discussion," the source added.

"Meeting with Prime Minister Modi will focus on boosting economic, defence, security and technology co-operation in the face of shared global challenges," according to a statement issued by the British High Commission in New Delhi earlier announcing the British PM's visit.

Johnson's visit will begin in Ahmedabad on Thursday, where he will meet leading businesses and discuss the UK and India's thriving commercial, trade and people links, said the statement.

“The visit is expected secure major new investment deals, supporting UK businesses, jobs and growth,” the statement added.

Long-term forecasts by the UK government have projected that a FTA with India could boost total trade by up to £28 billion annually by 2035 and increase wages across the UK by up to £3 billion.

India hopes to make gains in areas such as garments and textiles, leather products, rice, beverages and tea & coffee while the UK is interested in lower tariffs on Scotch whiskey, automobiles and renewable energy, among other things. In services, India wants easier work visas for its professionals and other workers and the UK’s focus is on legal and financial services.

Source: thehindubusinessline.com– Apr 20, 2022

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Weakening our currency detrimental to nation’s interest: Piyush Goyal

"I can assure you from my own experience and my engagements with large sections of industry across the board confirms that rupee devaluation or weakening our currency is actually detrimental to our nation's interest, to our growth story and to our ability to be competitive in the long run," Goyal said at an event to mark the 15th Civil Services Day.

Dismissing the contention that currency devaluation encourages exports, Commerce and Industry Minister Piyush Goyal on Wednesday said weakening of the rupee would not be in the nation’s interest in the long run.

He also said it is important for India to expand exports significantly and encourage investments to increase foreign exchange inflows into the country.
“There is a large pool of thought which believes that you need to devalue your currency so that you become competitive in export market…

“I can assure you from my own experience and my engagements with large sections of industry across the board confirms that rupee devaluation or weakening our currency is actually detrimental to our nation’s interest, to our growth story and to our ability to be competitive in the long run,” Goyal said at an event to mark the 15th Civil Services Day.

The minister added that devaluation increases cost of imports, brings inflation into the country, pushes up interest cost and makes products uncompetitive as India is import-dependent for raw materials.

He added that healthy exports, investments and remittances help in growing foreign exchange reserves, which stand at over USD 600 billion.
Export helps in earning precious foreign exchange and keeps the rupee stable, he noted.

The minister further said exports during April 1-14 have increased to USD 18.5 billion.

India’s pharma exports hold huge potential and can increase to USD 200 billion in the coming years, Goyal noted.

On free trade pacts, he said these agreements are “two-way traffic” and help both sides.

Speaking earlier at the event, Commerce Secretary BVR Subrahmanyam emphasised on the need to rewrite old laws, recast processes and embrace technology to boost the size of Indian economy to USD 30-40 trillion in the coming years.

“We also need to improve capacities of our people in our systems…We also need a mindset change,” he said at a session titled ‘Vision India @2047 – Governance’.

The secretary asked the civil servants to re-engineer their departments and make them world class so that India becomes a global power.

“Re-write the laws…embrace technology as it is the enabler and absolutely essential. Standardise processes and develop SOPs (standard operating procedures) for all activities,” he said, adding, “We should work for growth which is led by the private sector.” He called for focusing on the needs of private sector as they need lower cost of business and logistics.

“Mark my word, India is not a part of global value chain, we are making great efforts….There are explicit instructions in countries in western economies to source their products from other countries, it’s not happening in India through the scale it should happen…,” he added.

Addressing the event, Union Labour Secretary Sunil Barthwal said, “India still has wage cost advantage. China has lost that advantage. We have huge demographic dividends which will contribute for 25 years.” He also stressed on the huge potential of engaging more workers as labour force participation rate stands at 52 per cent.

Source: financialexpress.com– Apr 20, 2022

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Goods and Services Tax Council may revise norms for GST levy

Industry sources said there has been a sudden surge in the Directorate General of GST Intelligence (DGGI) investigation where issues such as inclusion of salary in cross-charge is being raised. GST is 18% on supply of services under cross charge.

With companies complaining about the levy of tax on allocation of salary cost of head-office employees to branches under the so-called cross-charge mechanism, the Goods and Services Tax Council will likely refer the matter to its law committee to review its applicability.

The levy has increased the cost of firms in sectors currently exempt from goods & services tax (GST) and raised the compliance burden for most others.

“References have come from many places, including some industry associations on the matter. It will be taken to the GST law committee,” a senior official told FE.

Industry sources said there has been a sudden surge in the Directorate General of GST Intelligence (DGGI) investigation where issues such as inclusion of salary in cross-charge is being raised. GST is 18% on supply of services under cross charge.

In December 2021, the Appellate Authority for Advance Ruling (AAAR), Maharashtra had ruled in the case of Cummins India that allocation and recovery of the salary of the employees of the head office from the branch office/units will be subject to GST. The company had sought a ruling on the applicability of GST on allocation and recovery of the salary cost of the head office’s employees from the branch offices in different states.

The objective of cross-charge was to pass on the input tax credit from head office to branch offices in different states seamlessly for GST paid on common services of a company such as rent, IT and advertisement, industry sources said. However, there are no specific guidelines on the manner and structure of cross charge or whether to include salary costs of head office staff or not in it for taxation purpose.

"The GST Council needs to examine whether cross charge mechanism should continue and in what form. The most important issue is as to whether salary of one office (typically head office) staff has to be included in this for levying GST," said Pratik Jain, Partner, Price Waterhouse & Co LLP.

The most impacted sectors are those exempt from GST such as healthcare, education, electricity and petroleum as input tax credit is not available, Jain said. It is also adversely impacting sector such as restaurants and real estate which don't get input tax credit on taxes paid on input services and it becomes an additional cost for them.

Companies in these sectors, which were already suffering from GST on cross charges for common services, will see further rise in operational cost due to inclusion of salary. For other companies, it is more sort of a compliance burden as taxes paid in supply of services to branches are recovered through ITC mechanism.

In the pre-GST regime, any supply of service between head office and branch office was not taxable. Hence, it has been a matter of dispute between companies and tax officials after the GST was rolled out in July 2017. Inclusion of salary in cross charges for GST has further complicated the matter as industry is of the view that employees work for the company as a whole and not employed for head office or branches.

Source: financialexpress.com– Apr 21, 2022

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Exports to Russia pick up after a stalemate, new orders on the rise

Domestic exporters are rushing to firm up deals with Russia, as a surge in Moscow's interest in Indian goods —mainly farm commodities, pharmaceuticals and marine products — has somewhat revived bilateral trade momentum that was disrupted by the war in Ukraine.

Senior executives with export bodies told FE that they have received "a lot of enquiries" from Russia. This has prompted them to step up engagement with Russian importers so that, in the event of a cessation of violence in Ukraine, goods can be despatched swiftly.

Ajay Sahai, director-general of the apex exporters' body FIEO said, "We are also organising interactions between Russian importers and Indian exporters. This is at an initial stage. One thing that is very clear is that Russia is interested in getting many products from India at this point of time. Lets' see how the situation pans out."

In a communication to its members on April 7, state-backed pharma export body Pharmexcil has said the Indian embassy in Moscow has been approached by Russian firms.

"While some of them required assistance in getting suppliers of some particular pharmaceuticals, others are interested in distributing them," it said. The Russian companies that have shown interest include New Technologies, Pharmstandard, Appolo, Pharmamed and Simkodent.

While farm products made up 18% of India's $3.2-billion exports to Russia until February last fiscal, pharmaceutical products accounted for almost 15%.

India still had a goods trade deficit of $5.5 billion with Russia between April and February of FY22.

Indian exporters have been keen on the resumption of trade after payments for the goods shipped to Russia — before the war broke out in late February — started to flow in recently, ending weeks of uncertainties. Russian importers have resorted to payments in the euro through non-sanctioned banks there.

Subsequently, the correspondent Indian banks have released payments to relevant domestic exporters after converting the currencies to rupees. This payment mechanism will continue for now, as New Delhi has denied the possibility of undertaking the rupee-rouble trade.

However, exporters are also conscious of persisting logistics challenges that are hampering any bid to supply to Russia now. Major shipping lines are rejecting bookings to and from Russia, and only very limited Indian supplies are reaching Moscow through Georgia port. However, they hope that once the war draws to a close or ceasefire is announced, supply-chain disruptions will also ease.

Source: financialexpress.com– Apr 21, 2022

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PLI scheme draws investment of ₹2.34 lakh crore in 14 sectors

India's production-linked incentive (PLI) scheme to encourage home manufacturing has generated investment commitments of ₹2.34 lakh crore throughout 14 sectors, in accordance with knowledge collated from varied ministries.

Automobile and auto parts, superior chemistry cell batteries, specialty metal and high-efficiency photo voltaic panels have attracted the utmost curiosity.

The authorities expects the scheme to generate extra output value Rs 28.15 lakh crore and 6.45 million new jobs over the following 5 years. There has been an incredible response throughout all of the sectors for which the scheme has been carried out, mentioned a senior authorities official. Total outlay for the scheme throughout the 14 sectors is Rs 1.97 lakh crore.

The programme, launched two years in the past, gives a money incentive for 3 to 5 years on the incremental sale of items made in India over the decided base-year gross sales. Additionally, the recognized beneficiaries are required to decide to a sure minimal investment in India.

"The PLI scheme is an initiative that has the potential to significantly enhance the scale of manufacturing in India – it has started off quite well," mentioned Pawan Goenka, chairman of SCALE Committee and former managing director of Mahindra & Mahindra.

Sustaining Exports

"Going forward, we will need to have flexibility to make changes, wherever necessary, in terms of adapting to emerging requirements," Goenka mentioned. The Steering Committee for Advancing Local Value-Add and Exports (SCALE) has been shaped by the ministry of commerce and trade and works with the Department for Promotion of Industry and Internal Trade.

"In the next few years, PLI units will have additional production to sustain exports on a sustainable basis," mentioned Ajay Sahai, director normal of the Federation of Indian Export Organisations. "Companies will procure more from domestic sources, which will help our ancillaries to grow and maintain necessary standards to eventually become suppliers to the world."

According to Sahai, whereas the scheme has picked up effectively throughout sectors, there may be some apprehension amongst textile producers.

"We have to give a little more time to the scheme to see if any changes are required," he mentioned. The programme seeks to boost India's manufacturing capabilities and exports.

Source: economictimes.indiatimes.com– Apr 21, 2022

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GST requires major administrative reforms

A mere tweaking of tax rates or slabs will not be of much help. A robust mechanism to redress the irregularities is needed

The GST (Good & Services Tax) is an indirect tax that was introduced subsuming various indirect taxes in India, including VAT, service tax, excise duty, etc. Despite the government's intention to simplify the indirect tax system with GST, things have become complex for taxpayers. Therefore, in the upcoming meeting of the GST Council, it is expected that the Council will focus on simplifying and rationalising the rate structure under GST.

To further smoothen this process, one of the key decisions taken by the GST Council is the constitution of a Group of Ministers (GoM) headed by BS Bommai, Chief Minister of Karnataka, which is expected to give its report recommending changes in the GST.

As per reports, the GoM is likely to recommend the merger of tax slabs (merging 12 per cent and 18 per cent GST rates into a single slab), review of the exemption list (reviewing GST exempt services), revision of tax rates and rationalisation of inverted duty structure (where GST rates imposed on inputs are higher than outward supplies).

These recommendations will be considered by the GST Council in its upcoming meetings.

These amendments by the GST Council intend to raise more resources for the government and reduce classification and tax rate related disputes between the assessee (taxable person) and the Revenue Department.

It is unclear whether these disputes will be reduced with these changes, but they will certainly hinder the interest of customers, by increasing their tax burden.

Therefore, little could be achieved with mere changes in tax rates. The GST Council should instead focus on administrative reforms in GST which shall go a long way to establish an assessee friendly tax regime.

Just revising the tax rates and merging tax slabs cannot bring efficiency to the existing tax administration. To overcome the issues of dispute related to GST and increase efficiency in tax administration, there is a need for a robust dispute redressal mechanism.

Dispute redressal mechanism

Under the current GST regime, the dispute redressal mechanism is considered non-existing because the GST Tribunals — which are considered the final fact-finding authority — are yet to be constituted, even after almost five years of GST enactment.

Despite having the provision under the GST law, there is no clarity if these Tribunals will ever be constituted. Non-constitution of the GST Tribunals forces taxpayers and the Revenue Department to approach the High Courts for redressal of their disputes.

As High Courts are already burdened with a backlog of cases, they should not be reduced to becoming the final fact-finding authorities. Thus, both taxpayers and Revenue Department are suffering in the absence of a proper redressal mechanism and such issues can be resolved only by way of administrative reforms and not by way of any rate or tax slab revisions.

Another area that requires immediate attention is the system of advance rulings under GST. Advance Ruling by definition means to take a ruling in advance so that the taxpayer does not enter into a dispute later on. GST laws not only provide for the constitution of an Authority for giving advance ruling but also provides for an appellate authority. This defeats the whole purpose by taking away the finality of Rulings being passed.

Moreover, there are instances where the orders passed by the appellate authority are further challenged before High Courts by way of a writ petition.

High Courts are also not uniform in their approach to entertaining such writ petitions. Thus, the advance ruling under the GST has turned into an Alternative Dispute Resolution mechanism, with a life cycle of its own, which is contrary to the purpose for which it was constituted.

There is no statutory mechanism under the GST regime that could ensure uniformity in the rulings passed by the Authorities. That is why people frequently find contrary rulings given by different Advance Ruling Authorities of different States on the very same issue.

Notably, under the former excise laws, appeals involving issue pertaining to the rate of tax was to be filed directly in the Supreme Court. This was to ensure uniformity in the orders, which may be passed. However, the lack of such provisions in GST laws shows that they have failed to take positive aspects of the former excise law, which results in increasing burden on taxpayers.

Administrative mechanism

Therefore, to overcome these challenges, GST requires administrative reforms which will establish a robust mechanism to redress such irregularities and will also remove gaps in the provisions of advance rulings under the GST law.

The manner in which assessment, investigation, enquiry, etc. are conducted by the jurisdictional officers also highlights a need for administrative reforms in GST policies. GST Administration has been taken over by Central Authorities (excise or service tax officers) as well as State authorities (VAT officers).

The mode of administration of the former Central and State laws varied immensely, and this disparity is now being seen and felt by assessees who have been assigned a former VAT Commissionerate or a former Excise Commissionerate. There is a significant difference in the manner in which the assessment, investigation, enquiry, etc. are conducted by a Central Officer and a State Officer.

Central Officers, who come from the excise and service tax background, have been trained to formulate the case against an assessee in a systematic manner by way of Show Cause Notice and seek replies from the assessee.
However, State Officers focus on attaching bank accounts first and then they issue a vague notice to assessee while giving them limited time to respond to such notices. Such stark difference in the method of working of GST officers needs to be ironed out immediately by educating officers, giving them rigorous training and adopting best practices in both Central officers and State officers.

To conclude, periodically revising the tax rates and slabs have not achieved the objective behind introducing such revisions. Therefore, instead of focusing on introducing periodical revisions, the emphasis should be on launching administrative reforms in GST, which will achieve goals, such as reducing disputes and increasing resources for the government.

Source: thehindubusinessline.com– Apr 20, 2022

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Govt: KVIC creates record high employment under PMEGP; enables over 1 lakh new micro units in FY22

Skill, labour and talent for MSMEs: The number of jobs created through micro enterprises set up under the Prime Minister's Employment Generation Programme (PMEGP) hit a record high of 8,25,752 in FY22 since the launch of the programme in 2008, MSME Ministry said on Tuesday. Also, the number of enterprises set up during the year went over 1 lakh to 1,03,219 for the first time in the past 14 years.

The new units were set up at a total capital of nearly Rs 12,000 crore, of which Rs 2,978 crore margin money subsidy, the highest since 2008, was disbursed by the programme's implementing body Khadi & Village Industries Commission (KVIC) while bank credit flow had contributed the remaining nearly Rs 9,000 crore.

The growth in new units set up and employment created under PMEGP in FY22 was up by 39 per cent each from FY21, while the margin money distribution (subsidy) had jumped 36 per cent. "PMEGP has emerged as government's most powerful tool of self-sustainability in the year 2021-22, even as the country was under partial lockdown for the first three months of the year during the second wave of Covid-19 pandemic," the ministry said.

Moreover, from FY15, when Bharatiya Janata Party was voted to power and Narendra Modi was sworn in as the Prime Minister of India, the number of new PMEGP units created had increased by 114 per cent while employment creation was up 131 per cent in FY22. The margin money distribution also jumped 165 per cent.

"This big thrust to local manufacturing and self-employment in wake of the Covid-19 pandemic has done wonders. A large number of youths, women and migrants were prompted to take up self-employment activities under PMEGP.

Further, a slew of policy decisions taken by the Ministry of MSME and KVIC to expedite the execution of projects under PMEGP helped KVIC achieve its best-ever performance," said KVIC Chairman Shri Vinai Kumar Saxena.

To promote entrepreneurship and generate employment through financial assistance to individuals, PMEGP offers maximum assistance of Rs 25 lakh for setting up new manufacturing units and Rs 10 lakh for new service units. The scheme allows any individual, above 18 years of age and at least VIII grade pass, to apply for assistance.

Self-help groups, production co-operative societies, charitable trusts etc., are also eligible, however, existing units under other government schemes such as Pradhan Mantri Rozgar Yojana, Rural Employment Generation Programme, etc., and units that have already availed government subsidy under any other scheme are not eligible for PMEGP.

Source: thehindubusinessline.com– Apr 20, 2022

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Fashion brands are trendsetter of India's e-commerce industry

In the last few years, India's retail industry has emerged as one of the most dynamic and fast-paced industries with a large population of young aspiring consumers. According to the Unicommerce e-commerce fashion report, the fashion industry reported a 51 per cent order volume growth in FY 2021 as compared to the previous financial year. This showcases the immense growth potential in the fashion e-commerce domain, especially when we are moving towards the world of multiple touchpoints, where brands are looking to connect with consumers across online and offline platforms.

The fashion segment is known to be an early adopter of new technology as they continue to focus on personalization and customer experience with a digital-first mentality. We have seen a platonic shift in brand mindset, with traditional offline retail companies building an online presence and D2C and digital-first brands gradually working towards building an offline presence.

Fashion brands are the trendsetter of the retail and e-commerce industry, we have listed down how the industry is going to reshape with technology, supply-chain innovations, and building a strong customer value proposition.

Getting smarter with artificial intelligence

Artificial Intelligence is one of the most exciting technological trends in the fashion market. AI holds the potential to transform the fashion industry with customer experience as the key area of focus. Fashion is becoming all about personalized experience and brands are deploying AI technology to address every customer's need individually.

There are multiple use cases of AI, some of the common use cases are visual recognition where the algorithm recommends similar-looking apparel to customers, predicting trends by understanding social media chatters and consumer behavior, purchase recommendations based on the previous buying behavior, and time spent on various pages at the brand website, and many more.

Connecting with consumers through chatbots and conversational commerce

Another trend that is gaining momentum in fashion e-commerce or e-commerce at large is the adoption of chatbots, an increasing number of D2C brands are now using chatbots for customer-facing interactions like handling customer queries and customer engagement to cross-sell and upsell. Another interesting use case of Chatbots is conversational commerce, where companies are leveraging social media platforms like Whatsapp, Instagram, and Facebook to sell directly to consumers. It's becoming another prominent platform for D2C commerce.

Consistent rise in D2C fashion brands

All leading fashion brands are setting up their online stores to sell directly to consumers. Fashion is one of the biggest categories with the rising number of D2C players. Companies have realized that D2C is not just about selling directly or better margins, it's more about having better control on customer experience, along with full visibility on customer data, and direct access to consumer leverage brand loyalty.

This helps brands in planning their future growth strategy. The D2C adoption has also encouraged companies to increase their investment in technology solutions and establish robust e-commerce operations to meet the rising consumer demand on the brand website. D2C brands will now further explore new digital avenues like social commerce, mobile apps to connect with consumers across various platforms and become an important part of their daily lives.

Building a strong supply chain and investing in technology

In the world of instant gratification, it has become increasingly important for brands to ensure a smooth and enhanced post-purchase delivery experience for consumers. As e-commerce volume continues to rise, brands are establishing multiple warehouses, to ensure faster order fulfillment. This has led to increased investment in supply-chain technology solutions such as order management, inventory management, warehouse management, and logistics management. These solutions enable brands to have clear inventory visibility of inventory across multiple warehouses and streamline order processing, leading to operational efficiency in the system.

Connect with consumers across sale channels with an omnichannel solution

The pandemic has accelerated the need for the adoption of omnichannel strategy amongst fashion brands. Omnichannel has been the 'buzzword' of modern retail for quite some time now, and companies have different ideas of how to leverage omnichannel for their business. One of the important aspects of omnichannel is to ensure a consistent shopping experience across offline and online shopping platforms. It's a win-win situation for both marketplace and brands, as brands whose offline stores are running at low capacity are able to clear inventory and marketplaces can fulfill orders at a much faster pace by shipping orders directly from the nearest brand store, besides providing a richer assortment to the end consumers.

Strong growth of fashion marketplaces

The fashion e-commerce marketplace segment has been predominantly led by Myntra. Myntra has truly revolutionized the fashion e-commerce space and is the biggest player in the segment. However, over the last couple of years, Reliance backed Ajio and Tata-owned Tata Cliq have been able to build a strong presence with a gradually growing market share. All the marketplaces are battling for consumer attention and building brand loyalty. Indian fashion e-commerce is a huge market and there is enough scope for multiple marketplaces to co-exist and continue to grow their business.

The fashion industry of India has always been at the forefront of re-inventing, re-strategizing, and re-aligning themselves to rapidly evolving business environments and changing consumer needs. The fashion industry has also seen multiple retail brands building successful online businesses. Fashion and accessories generate the maximum order volume share of the overall e-commerce industry and will continue to lead the industry with its continuous innovations and technology adoption.

Source: financialexpress.com– Apr 20, 2022

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Retailers and apparel brands to stay away from sharp price hikes

Retailers and apparel brands including Lifestyle, Reliance Retail, Raymond and Woodland said they will either hold product prices or take only marginal hikes despite unprecedented inflation across input costs as it could derail the recovery witnessed over the past few weeks.

"As a retailer, we have taken a stance of not increasing product prices for the next six months since it could affect the positive consumption trend we are seeing now," said Devarajan Iyer, chief executive of departmental store chain Lifestyle International.

Retailers across apparel, lifestyle products, restaurants, and supermarkets are expected to post double-digit revenue growth year-on-year for the March quarter despite a slow start due to the Omicron wave, with the reopening of offices and schools, and weddings driving demand.

However, companies fear any significant hike may impact demand. "We have our plan on how to deliver our margins, but we have to be cognisant of the fact that you cannot create a panic in the market. Suddenly the prices go through the roof, demand will fall.

Whatever the reason is, we have to find the right balance," said Amit Agarwal, group chief financial officer at Raymond, adding that the company will look at cost efficiencies and reducing discounting instead of direct price hikes.

India's largest retailer, Reliance Retail, has also decided not to increase the prices of the apparel and shoe brands owned by them fearing it could jeopardise demand generation when the market is improving, an industry executive said. An email sent to Reliance Retail remained unanswered.

In branded apparel, profitability has been under pressure for more than a year given sharp raw material inflation, the unavailability of containers and a significant increase in cotton prices. While most fast-moving consumer goods and quick service restaurants have consistently increased price tags, clothing and lifestyle firms have a cautious stance.

For instance, shoe and apparel maker Woodland managing director Harkirat Singh said raw material prices have gone up by 20-25% in the last 3-4 months, including that of cotton, leather, rubber and chemicals.

In addition, supplies are erratic due to the lockdown in China. Yet, the company will not hike prices for the next few months.

Source: economictimes.com– Apr 21, 2022

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Poly spun yarn prices drop in north India as mills shift to MMF

The prices of poly spun yarn reduced by ₹2-3 per kg in last one week in north India's textile hub of Ludhiana. It is due to a large number of mills shifting from cotton yarn to polyester yarn because of poor supply of cotton, according to market sources. However, polyester-cotton yarn and acrylic yarn prices remained stable amid poor demand.

A Ludhiana-based trader Ashok Singhal told Fibre2Fashion, "Yarn market is going to see a big change in term of supplies. Many mills are shifting towards polyester yarn to avoid the problem of scarcity of cotton. Such change can influence yarn prices in the coming weeks." Sources said that some mills can observe one day holiday in a week to reduce cotton consumption, while other mills are focusing on finer yarn of higher count to reduce cotton consumption. As a result, there will be higher availability of finer yarn but short supply of coarse yarn.

Ludhiana, the country's most prominent man-made yarn market witnessed pressure on polyester yarn. Poly spun yarn fell down by ₹2-3 per kg in last week. However, polyester-cotton yarn and acrylic yarn remained stable. Demand from downstream industry remained weak but mills were not willing to reduce price due to costly cotton.

In Ludhiana market, 30 count poly spun yarn was sold at ₹190-200 per kg (inclusive GST), while recycled 30 count poly spun yarn was at ₹180-185 per kg. 30 count PC combed yarn (48/52) was sold at ₹295-310 per kg. 30 count PC carded yarn (65/35) was priced at ₹260-270 per kg, according to Fibre2Fashion's market insight tool TexPro. 20 count PC (recycled-O/E) PSF yarn (40/60) was traded at ₹190-195 per kg. Acrylic NM (2/48) was priced at ₹330-340 and acrylic NM (2/32) at ₹280-290 per kg.

Meanwhile prices of PSF remained unchanged at ₹123 per kg. Reliance Industries Limited (RIL) has fixed prices of raw material as PTA ₹92.10 (+ ₹1.3) and MEG ₹62 (- ₹1.80) and MELT at ₹99.52 per kg. Global oil benchmark Brent crude futures rose 1.03 per cent to $108.35 per barrel, which is the source product for polyester value chain.

In the global market, ZCE cotton yarn May 2022 futures traded lower by CNY 315 to CNY 27,470 per ton and September 2022 traded down by CNY 190 at CNY 28,075 per MT today. ZCE cotton May lost CNY 155 to CNY 21,420 per MT and September contract traded down by CNY 140 to CNY 21,415 per MT.

ICE cotton futures edged lower on Tuesday, as a stronger dollar and a decline in broader commodities markets weighed on investor mood. Cotton contract for May 2022 closed at 139.68 cents, down 506 points; July 2022 closed at 138.33 cents, down 492 points, December 2022 closed at 120.95 cents, down 252 points. The US dollar hit a new 20-year high against the Japanese yen. Cotton is more expensive for international buyers due to a stronger dollar.

In north India, cotton prices softened by ₹400-600 per candy of 356 kg on Wednesday amid bearish trend in world market and weaker demand. Cotton arrival also declined. Cotton was quoted at ₹93,400 to 94,500 per candy in Punjab. Cotton was sold at ₹91,600 to 93,900 in Haryana, ₹94,800 to 95,000 in Upper Rajasthan and ₹89,100 to 91,200 per candy in Lower Rajasthan.

Source: fibre2fashion.com– Apr 20, 2022

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Welspun looks to acquire bankrupt Sintex group arm

Welspun group firm Welspun Corp has positioned a bid to acquire Sintex Prefab and Infra Ltd, as a part of the Sintex group agency's ongoing chapter decision course of within the National Company Law Tribunal (NCLT), mentioned two individuals conscious of the event.

Sintex Prefab, a subsidiary of Sintex Plastics, was taken to the NCLT beneath the insolvency and chapter (IBC) code final 12 months by Bank of Baroda. The firm makes prefabricated plastic constructions for industrial and housing initiatives.

"Welspun is eager on buying this Sintex enterprise. They have been evaluating varied Sintex companies which are up on the market due to the chapter course of they usually have positioned a bid for Sintex Prefab just lately. The committee of collectors (CoC) is voting on the Welspun bid. The voting can be accomplished by subsequent week," mentioned the primary particular person talked about above on the situation of anonymity as he isn't licensed to converse with the media.

Sintex Prefab has excellent claims of greater than ₹600 crore from monetary and different collectors, mentioned the second particular person talked about above. "The Welspun bid is shut to 10% of the excellent claims," he mentioned.

Welspun Corp on Tuesday knowledgeable the inventory exchanges that it has arrange an entity beneath the title Big Shot Infra Facilities Pvt. Ltd, which it intends to use as a particular goal automobile for natural or inorganic progress of its companies. The Sintex Prefab enterprise can be housed on this particular goal automobile, if Welspun's bid is authorized by the CoC, mentioned the second particular person talked about above.

Sintex Prefab shouldn't be the one enterprise within the Sintex group that Welspun has curiosity in.

Earlier this month, Welspun Corp acquired ₹1,128 crore of debt of Sintex BAPL (SBAPL), recognized for its plastic water tanks, for ₹386.9 crore, the corporate mentioned in a inventory alternate submitting. Sintex BAPL can be present process chapter decision.

"Welspun Corp. Ltd is desirous of working harmoniously with different lenders of Sintex BAPL Ltd to resolve the insolvency scenario of SBAPL on the earliest in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016," the corporate mentioned in its submitting.

Emails despatched to Welspun group and Sintex Prefab decision skilled Chandra Prakash Jain didn't elicit a response until press time.

Source: pehalnews.in– Apr 20, 2022

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