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INTERNATIONAL NEWS

Why US Ports Keep Breaking Cargo Imports Records

Cargo imports at major U.S. container ports for retail goods set a new record this spring and are expected to see near-record volume for May as merchants bring in merchandise to beat rising costs and supply chain issues, according to the monthly Global Port Tracker report released Friday by the National Retail Federation (NRF) and Hackett Associates.

"Retailers are importing record amounts of merchandise to meet consumer demand, but they also have an incentive to stock up before inflation can drive costs higher," said Jonathan Gold, vice president for supply chain and custom policy at NRF. "Whether it's freight costs or the wholesale cost of merchandise, money retailers save is money that can be used to hold down prices for their customers during a time of inflation. In addition, retailers are preparing for any potential disruptions because of the West Coast port labor negotiations, which are set to begin next week."

Gold noted that NRF has encouraged the parties to remain at the table and not engage in disruptions if a new contract is not reached by the time the current agreement expires July 1.

U.S. ports covered by Global Port Tracker handled 2.34 million 20-foot containers or equivalent units (TEU) in March, up 10.8 percent from February and 3.2 percent year over year. This topped the previous record of 2.33 million TEU set in May 2021 for the number of containers imported in a single month since NRF began tracking imports in 2002.

Ports have not yet reported April numbers, but Global Port Tracker projected the month at 2.27 million TEU, an increase of 5.7 percent a year earlier. May is forecast at 2.3 million TEU, which would be down 1.4 percent from last year but still the third-highest level on record.

"Consumer spending is growing faster than income growth, perhaps as shoppers buy ahead of expected rising prices," Hackett Associates founder Ben Hackett said. "Importers are doing much the same as they continue to replenish their inventories. Doing so will protect them against potentially rising freight costs, further delays in the supply chain and complications in upcoming labor negotiations at U.S. West Coast ports."

June container imports are forecast to rise 6.6 percent year over year to 2.29 million TEU, with July seen rising 5.3 percent to 2.31 million TEU, August to be up 0.9 percent to 2.29 million TEU and September to increase 0.3 percent to 2.15 million TEU.

The first six months of 2022 are expected to total 13.5 million TEU, up 5.1 percent year over year.

Global Port Tracker provides historical data and forecasts for the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia; Charleston, S.C.; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com– May 07, 2022

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China's April exports lowest in two years as virus bites

China's export growth slumped in April to its lowest level in almost two years, customs data showed Monday, as a Covid resurgence shuttered factories, sparked transport curbs and caused congestion at key ports.

The data shows the extent of growing damage as the world's second largest economy confines millions to their homes -- particularly in key business hub Shanghai -- to stamp out its worst Covid resurgence since the early days of the pandemic.

Beijing has persisted with a strict zero-Covid policy involving lockdowns and mass testing, but the economic costs are mounting as manufacturing hubs and supply chains atrophy under gruelling restrictions.

Export growth plunged to 3.9 percent on-year last month, the Customs Administration said Monday. While this was above analysts' expectations of 2.7 percent growth according to a Bloomberg poll, it marked the lowest rate since June 2020.

Import growth was flat in April, an improvement from a 0.1 percent contraction in March, as Chinese consumers remain hesitant under a welter of restrictions across the country.

Customs spokesman Li Kuiwen tried to strike an upbeat note on Monday saying the economy still has room to make a turnaround and that its "positive fundamentals" remain unchanged.

In April, China's biggest city Shanghai was almost entirely sealed off as it became the epicentre of the country's worst coronavirus resurgence, with many factories halting production and trucker shortage causing goods to pile up at its port.

Restrictions are also creeping in other cities, including the capital Beijing. While top leaders have offered words of reassurance for tech, infrastructure and jobs, analysts have warned that the zero-Covid strategy remains a dominant challenge to growth and stability.

Source: economictimes.com– May 09, 2022

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China's e-com logistics sector reports slower contraction in Apr 2022

The e-commerce logistics sector in China witnessed a slower contraction in April this year compared to March, found an industry survey jointly conducted by the China Federation of Logistics and purchasing and e-commerce company JD.com. The index tracking e-commerce logistics activities stood at 102.2 points in April, down by 1.8 points from March, it showed.

The decline shrank from that registered in March as government policies to smooth logistics alleviated the effects of COVID-19. However, demand is yet to recover, according to the survey.

The sub-index for business volume dropped 5.8 points from the previous month to 112.4 points, official Chinese media reported.

The sub-index for business costs rose 0.8 points in April, nearing the latest peak in 2016, the survey showed.

Source: fibre2fashion.com– May 08, 2022

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Should China worry about losing factory orders to Vietnam?

As Omicron flare-ups in China's manufacturing hubs, like Guangdong Province and Shanghai, disrupted supply chains, Vietnams Q1 economic figures appear to show promising outlook amid the pandemic.

According to Vietnams General Statistics Office, Vietnams economy expanded by 5.03 percent in Q1 of 2022, compared with the same period of last year, surpassing China which grew 4.8 percent. Whats more, Vietnams foreign trade rose to $176.35 billion in Q1, a year-on-year rise of 14.4 percent. In comparison, China's Q1 foreign trade rose 10.7 percent in yuan terms.

If the numbers are not telling enough, recent Vietnamese media reports that business mogul Li Ka-shing invested billions in Vietnam's infrastructure after retreating from the UK have surely sent shockwaves across Chinese market watchers. Lis investment has long been viewed as a market vane.

As Southeast Asia eases its epidemic restrictions and China continues to battle Omicron flare-ups in its major cities, a new wave of headlines emerged over whether factory orders will continue to flow out of China, and if China should have a sense of crisis as global manufacturing may be weaning off dependence on the worlds second largest economy and turning to countries like Vietnam.

China began its reform and opening-up in 1978. Vietnam followed China's footsteps and started its own market reform known as "Doi moi" in 1986. For the past decades, economic growth on both countries has been remarkable.

But the eruption of a trade war between the US and China in 2018 has accelerated a fourth wave of industrial chain transfer, with countries like Vietnam and Mexico emerging as the biggest winners of the trade disputes. Vietnams trade with the US has grown significantly since 2018. The latest data showed Vietnams trade surplus with the US rose to $81 billion in 2021 from $63 billion in 2020, hitting an all-time high, Reuters reported.

From an economic and population perspective, it is unlikely for Vietnam to absorb a significant share of manufacturing from China. According to the World Bank, Vietnams labor force is only 7 percent the size of China's. This means that even if Vietnam succeeds in attracting manufacturing in sectors such as electronics and textiles, it cannot replace China's overall production.

Despite a trade war and the pandemic, China's complete supply chains and strong production capacity have proved to be resilient to global shocks in the past few years and the countrys share in global manufacturing is unshakable, at least in the short term.

It is true that Vietnam has taken over the final assembly of some electronic products but China's overall manufacturing levels have remained consistently high.

For example, between 2019 and 2021, Apple decreased the number of its manufacturing locations in the Chinese mainland from 48 percent to 42 percent, most of which was a shift of labor-intensive work to Vietnam. But Apple also added 14 new Chinese suppliers, many of which are high-value and knowledge-intensive manufacturers specializing in optical components, sensors and connectors, the Maritime Executive reported.

The structure of China-Vietnam trade also shows complementarities rather than competition. Vietnams exports to China focus on fruits, aquatic products, textiles and electronics, while the country relies heavily on China for materials and equipment for its labor-intensive manufacturing. In fact, China is Vietnams largest intermediate supplier, accounting for nearly one-third of all Vietnams imports of intermediate products in manufacturing, according to data from the OECD. Vietnams integration with China has risen over the years with higher dependency on Chinese inputs for production, according to a report from the Carnegie Endowment for International Peace.

China's other advantage is its giant middle class and a huge domestic market. The McKinsey analysis previously estimated that the Chinese middle class could reach 550 million by 2022, more than one-and-a-half times the entire US population, CNBC reported. Companies that want to tap the massive Chinese market will naturally want to move manufacturing closer to their customers.

Chinese government fully recognized the difficulty Chinese manufacturing is currently facing. "This year, due to domestic and external factors, the growth of import and export is much lower than previous years and is under immense pressure. We must find ways to retain orders and stabilize foreign trade," Chinese Premier Li Keqiang said at the State Council's Executive Meeting on May 5. He vowed to ensure stability in the production and circulation in foreign trade, work out lists of key foreign trade enterprises and support their production, logistics and employment.

For the foreseeable future, Vietnam will continue to remain an attractive market for foreign investment and a destination for supply chain diversification, but its ability to bite into China's share of manufacturing is limited.

Source: globaltimes.cn– May 08, 2022

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Sri Lanka's new fabric park to manufacture raw materials worth $500 mn

The under-construction fabric park in Punnakuda in Sri Lanka's Batticaloa district will strengthen import substitutes for the apparel industry and annually save $500 million for the country, according to Board of Investment (BOI) chairman Raja Edirisuriya. It is the largest development project in the Eastern Province with an investment worth SLR 5.5 billion.

Sri Lanka annually spends $6 billion on raw materials needed for textile manufacturing. With this new set up, raw materials worth $500 million can be manufactured every year.

Four leading garment manufacturing companies are willing to invest in the fabric park, which is expected to create at least 5,000 jobs, according to Sri Lankan media reports.

In addition, the government will spend SLR 5.5 billion on developing infrastructure facilities for the project. Edirisuriya and BOI director general Renuka M Weerakone made an inspection tour recently to the site along with a group of potential investors.

Source: fibre2fashion.com– May 09, 2022

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Turnover of 20% UK trading businesses decreases in Mar 2022 over Feb

A fifth of currently trading businesses in the United Kingdom reported that their turnover decreased in March this year compared with February. In contrast, 14 per cent reported their turnover had increased. Half of such businesses reported an increase in the prices of materials, goods or services bought in March 2022, up from 39 per cent in February.

In comparison, the percentage of businesses who reported an increase in the prices of materials, goods or services sold increased from 17 per cent to 24 per cent over the same period, according to the Officie of National Statistics (ONS).

Almost a third of currently trading businesses (31 per cent) reported they expected the price of goods or services sold in April 2022 to increase (excluding seasonal changes), with energy prices (41 per cent) reported as the main factor for businesses considering raising their prices.

In late April, having to absorb costs (38 per cent) and having to pass on price increases to customers (27 per cent) were reported as the biggest impacts on businesses because of general price rises; these percentages have increased slightly since early March from 35 per cent and 24 per cent respectively.

In late April, 31 per cent of businesses reported their production and suppliers had been affected by recent increases in energy prices, with the accommodation and food service activities industry reporting the highest percentage, at 64 per cent.

Among businesses not permanently stopped trading, 7 per cent of businesses reported their stock levels of raw materials in March 2022 were lower than in February 2022, whereas 4 per cent reported stock levels were higher; across the same period, 6 per cent of businesses reported their stock levels of finished goods were also lower.

Source: fibre2fashion.com– May 08, 2022

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Pakistan: FPCCI demands formation of proposed cotton authority

Coordinator Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Malik Sohail and Member Cotton Committee Malik Tanveer Arshad have demanded of the government that the proposed cotton authority should be set up immediately. The severe shortage of water in the process of cultivation should also be eliminated immediately.

In South Punjab, about 70 percent water shortage is being recorded on Taunsa Canal, Panjnad, Trimun Canal, Bahawal Canal. Markup should be reduced immediately causes obstacle to the industrial development. Considering the prices of cotton and edible oil in the international market, there is a golden opportunity for Pakistan to achieve maximum production of cotton and stabilize the national economy.

In a joint statement, they said that the price of cotton in the New York Cotton Market is 145 cents per pound while the price of cottonseed oil in local market is Rs 15000 per 40kg. Given these conditions, there is a clear possibility that cotton farmers will get more compensation from the upcoming crop than the previous year. They said that last year kappas was sold in Pakistan up to Rs 10,000 per 40kg.

They further said that Pakistan's economy is linked to agriculture, especially cotton. He said that textiles accounted for 62 percent of Pakistan's total exports and the former government had proudly announced the export remittance but never declared import in front of the nation.

While, meeting with Prime Minister Shahbaz Sharif, Business Council of Pakistan suggested in reduction of import. They said that the balance of export and import is necessary for real development. That is only possible with enhancing production of cotton to reduce import bill.

Source: brecorder.com– May 09, 2022

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Pakistan: Import of textile group surges 25pc during July-March 2021-22

Import of textile group surges 25pc during July-March 2021-22

Despite decrease in import of cotton and other raw materials, Pakistan has to pay 25pc more on imports of textile group commodities due to higher international prices in the first nine months of fiscal year 2021-22. According to statistics issued by Pakistan Bureau of Statistics, total value of imports of textile group in first nine months of fiscal year 2021-22 was recorded $3,499.68m which is 25.59pc higher than corresponding period of fiscal year 2020-21. Import volume of textile group remained $ 2,786.5m in July-Mach 2020-21.

The PBS data shows that import of raw cotton, synthetic fibre and synthetic and artificial silk yarn decreased in terms of quantity during the period under review while value of the import recorded increase due to higher prices of the commodities in international market.

During three quarters of the current fiscal year 533,871 metric tons of raw cotton worth $1,205.47m was imported while in the corresponding period of the previous year 624,945 metric tons of raw cotton worth $1,032.08m was imported that shows 14.57 decrease in terms of quantity while 16.8pc increase in terms of value. The same trend was seen in import of synthetic fibre as its quantity slide down 15.85pc to 291,364 MT from 346,248 MT while import value rose 27.51pc from $ 440.986m to $ 562.281m.

Import of synthetic and artificial silk yarn has recorded 30pc increase in value while 7.64pc decline in quantity as 293,191 MT of synthetic and artificial silk yarn worth $ 650.219m were imported during first 9 months of 2021-22 while 317,440 MT of the same commodity worth $ 499.788m were purchased from abroad during July-March 2020-21.

Meanwhile, import of worn clothing recorded 56.87 and 66.47pc increase in terms of both quantity and value respectively. As per PBS data 764,139 MT of worn clothing worth $341.319m were imported during the period as compared to 487,107 MT of worn clothing having a value of $205m.

Import of other textile items also increased 21.64pc during July March 2021-22 and surged to $740.383m from $608.677m in first nine months of 2020-21.

Source: dailytimes.com.pk– May 08, 2022

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NATIONAL NEWS

UAE Minister of Economy to lead high-level business delegation to India this week

UAE Minister of Economy Abdulla bin Touq Al Marri will be leading a high-level business delegation to India this week to discuss ways to further promote trade and investments between the two countries, an official said. The visit, from May 11-15, assumes significance as both the countries have implemented the Comprehensive Economic Partnership Agreement (CEPA) on May 1.

UAE's Minister for Small and Medium Enterprises is also part of the delegation. "It will be an important visit as we have implemented the free trade pact," the official said.

The CEPA is expected to boost bilateral trade to USD 100 billion in the next five years, from USD 60 billion at present. Under the trade agreement, domestic exporters in various sectors like textiles, agriculture, dry fruits, gems, and jewellery are availing duty-free access to the UAE market.

The delegation would visit Delhi and Mumbai and will hold discussions with industry leaders. The nearly 70-member delegation represents different sectors such as food, special economic zones, sovereign wealth funds, and aviation.

The UAE is one of the largest trading partners of India and that country is a gateway to the Middle East, North Africa, Central Asia and sub-Saharan Africa.

Overall, India will benefit from preferential market access provided by the UAE on over 97% of its tariff lines (or goods), which account for 99% of Indian exports to the UAE in value terms – particularly from labour-intensive sectors such as textiles, leather, footwear, sports goods, plastics, furniture, and engineering products.

Source: thehindu.com– May 08, 2022

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India and UK conclude 3rd round of FTA talks

India and the UK concluded the third round of talks for the proposed free trade agreement in New Delhi on Friday covering ground on key areas. The two sides hope to sign the interim deal by October.

“Third round of India-UK FTA negotiations concluded in Delhi with two weeks of intense discussions, teams working extra hours to make good progress in policy areas resolving to continue positive conversations," India’s chief negotiator Nidhi Mani Tripathi tweeted on Sunday.

The third round of talks were likely to focus on issues including tariff concessions on alcoholic beverages and movement of professionals, among other things. India and the UK had covered significant ground in the last two rounds with the UK agreeing to eliminate duty on Indian rice and textile goods, while India is likely to allow duty-free entry of British apples, medical devices and machinery.

The interim or early harvest agreement aims to cover 65% of goods and up to 40% of services, with the coverage in goods expected to go up to 90% in the full agreement.

The agreement is estimated to double India-UK bilateral trade to about $100 billion by 2030. An agreement is also expected on mutual recognition of higher education qualifications, a person aware of the development said. In the two rounds of negotiations that began in January, India and the UK have managed to close four out of 26 chapters in the FTA.

UK Prime Minister Boris Johnson during his India visit three weeks ago expressed his support for more skilled visas for Indians saying the UK is facing a shortage of experts in IT and programming.

Source: livemint.com– May 08, 2022

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Rate hike not surprising, says FM Nirmala Sitharaman

Finance minister Nirmala Sitharaman on Saturday asserted that the rising interest rate scenario is unlikely to derail the government's plans for a record budgetary capex of Rs 7.5 trillion in FY23 to spur economic growth.

The Goods and Services Tax (GST) Council, the minister said, is unlikely to consider rate rationalisation in its next meeting, as a report of a group of ministers (GoM), led by Karnataka chief minister Basavaraj Bommai, on this issue is yet to be submitted. Once it's presented, the report will be circulated among states for inputs, Sitharaman said. The government and the GoM are looking at how to, at least, "achieve the revenue-neutral (RNR) rate at which the GST was brought in", she said.

The rise in food and fertiliser subsidies in the current fiscal was somewhat accounted for when the Budget was being prepared, the minister said. Global commodity prices, especially of crude oil, were on the rise and supply chains were disrupted (at the time of Budget preparation), although "we didn't have any clue about the (Russia-Ukraine) war", Sitharaman said.

She said countries seem to be following a particular action template to deal with the trade-off between recovery and inflation in the aftermath of the pandemic, and the latest hike in key policy rates has been a globally synchronised event. The Australian central bank raised the rates, followed by the Reserve Bank of India (RBI) and the US Federal Reserve, to curb inflationary pressure.

Speaking at an event organised by a media house, Sitharaman said the RBI's repo rate hike of 40 basis points wasn't surprising, as many were expecting it in the wake of the monetary policy committee's (MPC's) indication in April that it was time for it to act. However, since the move came in between the two scheduled meetings of the MPC (in April and in June), it may have surprised some. "So, the act wasn't surprising but the timing may have been for some," Sitharaman said.

The revenue neutral rate for GST was originally estimated at 15-15.5% and the tax debuted at a slightly higher rate. A series of rate cuts since the tax's July 2017 launch, aimed at spurring consumption in a faltering economy, has brought the weighted average GST rate down to the current level of around 11.5%, necessitating a rate rejig. A reduction in the number of GST slabs — four at present — to two has been recommended by several experts, who think that it would make the tax simple and further reduce the cascading of taxes.

"Of course, (GST) rate rationalisation has been a discussion point in 3-4 Council meetings. Wherever inversion prevails, we would correct it because we can't afford to go on giving these refunds," the minister said. The inverted duty structure, wherever it's present, is discouraging investors from participating in the relevant production-linked incentive schemes, she added.

The finance minister has said during her recent meetings at various multilateral fora in Washington, there was greater concern among global bodies that cryptocurrencies, given that they mostly remain unregulated, must not be allowed to violate the FATF (Financial Action Task Force) norms. These must not be allowed to be misused as a tool for money laundering or terrorism funding.

Despite pressure by Western nations, India will continue to buy Russian oil if it gets the commodity at cheaper rates, the minister said, as she highlighted the broader effort to diversify the sources of supplies. At the same time, she stressed that the Western countries are increasingly understanding India's position on the issue of oil purchases.

Asked about the possibility of hiking import duties on a broad range of products to suit the Aatmanirbhar Bharat initiative, the minister said taxes will be considered only on those products where there is adequate domestic capacity but imports from certain jurisdictions are still taking place due to predatory pricing. The Aatmanirbhar Bharat initiative, she stressed, doesn't mean India will shut its doors to others; instead, it encourages greater integration with the global supply chain.

Earlier in the day, Sitharaman flagged anonymity of certain stakeholders as an "inherent risk" in the adoption of blockchain technology (cryptocurrencies, among others, are based on this technology). Addressing an NSDL event in Mumbai, she called for taking adequate precaution even while harnessing its potential for human welfare.

Nevertheless, she said using the distributed ledger technology (also called blockchain) is “absolutely imperative” and the government also supports its use. But it’s the anonymity that is an “inherent risk” “which we need to guard ourselves from”.

The minister hailed the growth in retail participation in the stock markets, especially in the wake of the Covid-19 outbreak, which has somewhat softened the blow of FPI outflows. From just 4 lakh in FY20, the number of new demat accounts added each month shot up to 12 lakh in FY21 and to 26 lakh in FY22, she said.

Source: financialexpress.com– May 08, 2022

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Textile exporters reel under high cotton prices

The sharp rise in cotton prices is threatening to upset the apple cart of booming textile exports even as the government tried to soothens the nerves by removing an 11 per cent import duty on cotton imports.

Despite the import duty removal, not many spinning and composite textile mills showed interest in cotton imports due to high costs. Globally, cotton prices started moving last year due to supply-chain disruptions, sanctions by the West on China's textile hub, Xinjiang, and a power crisis in China, besides expectations of lower production by major cotton-growing countries.

Robust demand

At the beginning of the current season (last October), cotton prices were hovering at about ₹48,000 per candy, touched a high of ₹1 lakh per candy in March and now more than doubled to ₹96,000-₹98,000 per candy on robust demand.

Aided by Government incentives, textile and apparel exports last fiscal increased 21 per cent to $41.3 billion (about ₹3.18 lakh crore) against $34 billion (about ₹2.62 lakh crore) logged in FY20. Exports of readymade garments jumped 28 per cent to ₹13,269 crore.

Nikunj Bagdia, Managing Director, Ken Enterprises, said this is a double whammy for textile exporters with soaring cotton prices and creaking logistics.

While partial price rise is being passed on to the customers, they are delaying new orders as the high prices will not sustain for long. As expected, cotton prices will drop on lower demand with customers shifting to man-made fibre, he said.

Manoj Patodia, Chairman of the Cotton Textiles Export Promotion Council, said the steep increase in prices of raw cotton is a matter of deep concern for the entire value chain of cotton textiles, such as home textiles and fabrics making them uncompetitive in the export markets.

High raw cotton prices have pushed up the production cost for exporters. The orders taken a few months back can now be executed only at a loss, he said, seeking an urgent Government intervention to stabilise the key raw material prices.

Interest rate hike pressure

KV Srinivasan, Managing Director, Premier Mills, said that handling the price increase in raw materials is becoming a challenge as customers are unwilling to accept a cost increase like last year.

The unprecedented price increase has made exports unviable and made it difficult to achieve break-even.

“The recent interest rate hike will further put pressure on funding. It will make working capital more expensive when its requirement has increased to meet higher raw material cost,” he added.

Amit Gupta, President (Strategic Finance), Trident, said, notwithstanding the rising raw material prices, inland logistics costs have increased 10-15 per cent in the last two years due to the non-availability of ships.

Inventory at Inland Container Depots is still limited with a one-side shipping line policy of reducing the free time from 14 days to 7-10 days. Many shipping lines either not allow one-way empty pick up or charge ₹20,000-₹25,000 extra for such picks, he said.

Source: thehindubusinessline.com– May 07, 2022

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Italy keen on industry-, entrepreneurs-level cooperation with India

Commerce and industry minister Piyush Goyal recently said India looks forward to significant transformational and exponential growth in trade with Italy. He co-chaired the India-Italy Business Roundtable in New Delhi with Italian minister of foreign affairs and international cooperation Luigi Di Maio, who said Italy is eager to reinforce cooperation at the industry level and between entrepreneurs.

Goyal, who also holds the portfolios of consumer affairs, food and public distribution and textiles, said there are several opportunities in sectors ranging from tourism, services, merchandise, goods to digital world, education and design, according to a release from the Indian ministry of commerce and industry.

“India offers the largest business opportunity anywhere in the world as we progress from a $3-trillion economy today to a $10-trillion economy in ten years to a $30-trillion economy in 20 odd years and to a $50-trillion economy,” said Goyal, in his opening remarks at the meeting.

“Many Italian companies, in their long term strategy, consider India as a key country whose market will drive growth on a global scale,” Di Maio added.

Bilateral trade between India and Italy reached a record €10 billion in 2020-21.

Source: fibre2fashion.com– May 08, 2022

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India-Australia ECTA to affect US cotton exports: FAS

Through phased-in tariff reductions, the Australia-India Economic Cooperation and Trade Agreement (AI-ECTA) signed on April 2, 2022, will raise challenges for US food and agricultural products in the Indian market, the New Delhi post of the Foreign Agricultural Service (FAS) under the US department of agriculture has said. Commodity areas of concern include cotton.

The agreement must now be approved by Australia's and India's parliaments, but little opposition is expected for the ratification agreement in either country, the FAS noted.

At the same time, India is seeking to establish a number of additional free trade agreements and or comprehensive economic partnership agreements with the United Kingdom, Canada and Israel, among others.

In 2021, US food and agricultural product export to India totalled over $1.9 billion, up by 5.5 per cent from 2020's exports of $1.8 billion. Previously US consignments had reached a record high of $2.2 billion in 2019.

In 2021, exports of US-origin cotton, soybean oil, tree nuts, forest, and seafood products drove food and agricultural product growth to India upwards. A number of these US products overlap with Australian ones that will benefit from AI-ECTA's phased- in tariff reductions. The AI-ECTA can potentially erode hard-won US product market share in the Indian market, the FAS noted.

The United States is the largest supplier of raw cotton to India, including extra-long staple (ELS) and upland (long staple) cotton varieties. The value of US-origin cotton exports exceeded $222 million in 2021, commanding a market share of nearly 43 per cent.

Australia is also a supplier of long staple cotton to India, directly competing with US supplies. In 2021 Australia-origin cotton exports reached $66 million, gaining almost a 13 per cent market share. Australia's access to a duty-free quota of 300,000 bales will likely affect US upland cotton sales.

At present, imported cotton in India faces a 10 per cent tariff and duty-free access will provide Australian cotton a strong competitive advantage, FAS added.

Source: fibre2fashion.com– May 06, 2022

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India-UK ties and a sustainable global future

The year 2022 is significant for both India and the UK as our country commemorates the 75th anniversary of its Independence and the two celebrate 75 years of bilateral ties. India-UK relations were elevated to a Comprehensive Strategic Partnership in 2021, based on a shared commitment towards democracy, fundamental freedoms and multilateralism, and the recent visit of Boris Johnson, prime minister of the United Kingdom, further strengthened the ties.

During the visit, both nations recognised the need to focus on sustained economic recovery and work towards building resilience and trusted partnerships to assuage any external disruptions, thus building towards a Vision 2047 for shared security and prosperity for their people and the world.

India-UK economic partnership: Today, India has become a major economic power and is a highly valued strategic partner for the UK. The discussions and agreements during the visit covered a plethora of matters ranging from job creation and economic growth to energy security and defence.

In FY 2021–22, India's exports to the UK stood at $9.43 billion, while imports aggregated $6.58 billion. India's main exports to the UK include ready-made garments and textiles, gems and jewellery, engineering goods, petroleum products, transport equipment, spices, pharmaceuticals and marine products.

Imports from Britain include precious and semi-precious stones, ores and metal scraps, engineering goods, chemicals and machinery. In the services sector, the UK is the largest market in Europe for Indian IT services.

Similarly, investments are robust in both directions, with Indian companies as the largest and fastest-growing overseas investors in the UK. As per the CII-Grant Thornton report titled 'Britain Meets India' tracker 2021, there are 572 British companies in India. The 'India meets UK' Report 2021 shows a record 850 Indian companies operating in Britain, with combined revenues of almost £50.8 billion and employing 1,16,046 people.

Areas of collaboration: The meetings between the heads of the two countries included a significant economic component related to climate change, trade, defence and healthcare that will drive the future partnership. The CII envisions new-age partnerships across emerging sectors for the private industries of both countries, building on the overall economic framework emerging from this landmark visit.

First, India-UK climate collaboration revolves around strengthening partnership in R&D of cutting-edge technologies and the transfer of proven tech to drive low carbon pathways. Such partnerships also provide opportunities for the private sector in developing technologies, climate finance and nature-based solutions to deliver concrete actions for achieving the 2030 nationally determined contributions.

With the UK leading in the development of both blue and green hydrogen capability and India also having launched the National Hydrogen Policy, there is huge potential to curate a new global alliance on hydrogen led by India with the collaboration of other countries and support of businesses.

The two countries launched the Climate Finance Leadership Initiative (CFLI) in September 2021 to support climate and green energy projects in India. The CFLI is responsible for $6.2 trillion in assets and aims to create investment-friendly business environments and robust pipelines of bankable sustainable infrastructure opportunities in emerging markets.

These investments aim to support India’s target of 450 GW renewable energy by 2030. Many industry titans are a part of the CFLI and this provides a great opportunity to extend this platform to other leading Indian businesses, especially MSMEs, to support the accelerating climate action.

Two, defence and security also form key elements of the India-UK partnership, with special focus on R&D and joint industrial cooperation to develop advanced defence capabilities. Strengthening collaboration in tackling new threats in the cyber, space, counter-terrorism and maritime domains adds to the economic partnership

Three, India and the UK also share an enhanced partnership in science, tech, education, research and innovation. Promoting collaboration in Artificial Intelligence (AI), the two countries together aim to deliver economic and social benefits to both nations. This calls for closer engagement between the higher education sectors and furthering of transnational education programmes in both countries.

Benefits of the India-UK FTA: Four, the launch of Free Trade Agreement (FTA) negotiations in January 2022 is a historic development to unlock the full potential of the trade and commercial relationship, boosting jobs, investment and exports for large sectors such as textiles, leather goods, and footwear. The agreements that were signed at the beginning of the year, aim to achieve up to 65 % of coverage for goods and up to 40% coverage for services. By the end of the final agreement in October 2022, the coverage for goods is expected to increase to more than 90%.

Areas of opportunity: The FTA is the most exciting feature of the rapidly developing economic partnership as the reduction in tariffs and non-tariff barriers will facilitate increased competitiveness in industries like automobiles and pharmaceuticals. The trade expansion will create investment and employment potential in both countries.

The pharma sector is likely to be amongst the fastest growing sectors, as both countries have huge investments in place. Also, the communication and technology sector offers significant opportunities for UK exporters to tap into the Indian market. The agreements will give further impetus to the textile industry and the IT sector.

The FTA will provide India with an opportunity to increase its share of exports in categories like fashion, homeware, furniture, and electrical and general industrial machinery. Strategic sectors of defence, cybersecurity, R&D and healthcare where the UK has been a strong player would benefit as well.

In addition, India being a tech giant and home to one of the world's leading start-up ecosystems facilitates greater access for the UK market and also provides Britain with a much wider spectrum in the Indo-Pacific region.

The road ahead: The UK and India have established the Science and Innovation Council in 2010 to jointly undertake scientific projects. The two countries can be partners in innovation. For the Indian side, collaborations in innovations for low-cost goods and services could help address emerging middle class consumers as well as foster technology transfer.

Looking ahead, India will be central to the world's development in the next 25 years and the recent visit of the UK prime minister ensures that bilateral ties will play a key role in a sustainable global future.

Source: newindianexpress.com– May 09, 2022

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Exporters optimistic despite global slowdown prospects

Last week, central banks in India, the United States, Australia, and the United Kingdom started taking actions to curb inflation. The measures included an increase in benchmark interest rates and withdrawal of excess liquidity injected during the last two years to counter the adverse economic impact of the Covid-19 pandemic. It is widely expected that the collateral damage of these steps will be lower global trade and economic growth rates.

Even before the Russian invasion of Ukraine, the global commodity prices were rising due to shipping and supply chain disruptions and vast increase in demand, powered by easy money. Since the past 10 weeks, the Russia-Ukraine war has led to a shortage of wheat, edible oils, fossil fuels, fertilisers, and some metals in the global markets.

The economic sanctions have forced many countries, especially in Europe, to stop their exports to Russia. Some countries have imposed restrictions on export of essential commodities like edible oil. Stringent lockdowns in major cities in China to control the spread of Covid-19 variants have disrupted the global shipping and supply chains just when the world was recovering from the pandemic induced slowdown.

Now, the aggressive actions of the central banks and governments in many countries to restrict the money supply threaten to cause global economic slowdown or even recession in some countries. That may lead to lower commodity prices over a period of time.

Indian exporters are, however, not too perturbed by the prospects of global economic slowdown. Their order books are full and many expect the export momentum to dissipate gradually in the next six months. They expect better market access in countries with whom new free trade agreements have been negotiated recently. Some traders sense greater opportunities to export food grains. Some others expect increased demand in countries neighbouring Ukraine that have received millions of refugees.

The households and businesses in the US still have enough money to sustain demand. Recent trends in the US and its allies to encourage sourcing of goods from friendly countries can help India.

Even Russia, now shut off from Europe, is keen on buying goods from India. The exporters may be helped by the weakening of the Indian rupee against the US dollar. On Friday, the rupee depreciated by over 0.8 per cent to close the day at 76.93 against a US dollar. The main worry of exporters is the rising costs of raw materials and freight rates.

The Indian refiners are looking at the prospects of cheaper crude oil at discounted prices from Russia. On Wednesday, the European Union decided to phase out all imports of crude oil from Russia by the year-end. To that extent, Russia will be looking for customers in other countries to sell crude oil even at deep discounts.

Other importers may be looking at cutting down on imports due to higher prices and adverse exchange rates. Indian producers automatically get increased protection when the import costs go up. To what extent this will help domestic producers is uncertain as consumption and investment led demand in India has not yet picked up. The fall in stock prices is more likely to dampen the sentiments of the large middle class that has invested in equities.

Overall, the uncertainties in the global markets have increased. Yet, the exporters are still optimistic. How well they exploit the opportunities will determine the rate of export growth.

Source: business-standard.com– May 09, 2022

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Growth in Indian exports: A consequence of rising export quantum or unanchored inflation?

Financial year 2022 proved to be a great one for Indian exporters after the country achieved its highest-ever merchandise exports of US$ 418Bn, a 43% increase from the previous year and a 33% increase from the pre-covid year (FY20). While it paints a positive picture of Indian exports' growth trajectory, only a thorough analysis can reveal the sustainability of the momentum.

For starters, India's export basket is no longer confined to just conventional goods like gems/jewelry, as seen through their reduced share from 16% in FY17 to 9% in FY22. This decreased contribution is not merely because of costlier raw materials (gold prices surged by 55% over the years), intense competition from China, etc., but also India's desire to shift away from primary products. We are gradually moving towards exports which have larger value in complex global supply chains. For eg., the share of engineering goods increased from a meager 5% in FY17 to 27% in FY22, a 46% Y-o-Y growth in exports.

Moreover, India has seen a significant jump in exports to developed markets in April-Feb22 as compared to pre-pandemic years. Exports' value to Australia increased by 178% driven by the 1069% Y-o-Y growth in petroleum products, 61% increase to Belgium driven by 183% growth in petroleum products and 246% in iron and steel, among others.

The country also witnessed a huge demand for Indian goods globally. Factors such as easing of covid restrictions, massive fiscal stimulus by the government and a liberal stance by global central banks also contributed to India's export growth.

Additionally, there were severe externalities like covid's 2nd wave in India, worsening supply chain disruptions, the Russia-Ukraine conflict followed by sanctions on Russia, and the recent resurgence of covid in China. All of this led to considerable volatility in commodity prices of crude or agro products, among others traded by India. If the growth in export value (value = price x quantity) is influenced majorly by unanchored inflation of the commodity, the value effect is doomed to die down as the prices stabilize in the future. But if not, then India is on the path of export glory.

One of the significant contributors to the export milestone was petroleum products, which witnessed a whopping 157% Y-o-Y increase from April21-Feb22 (latest data available). However, this was influenced relatively more by the 68% Y-o-Y average price rise than the 53% quantity growth in the period. Since India imports more than 80% of crude oil required to manufacture the petroleum products for the global market, a hike in input prices (73% increase in crude futures prices) inflated the petroleum products costs and hence, their values. Similarly, from April21-Feb22, with a 9% share in Indian exports, gems and jewelry saw a 57% Y-o-Y growth in value but a negligible growth in the quantity of exports. Thus, the value increase can be completely attributed to the rise in the prices of precious metals and gems.

There are, however, a few commodities with extraordinary quantity-based growth in FY22. By concentrating on and promoting these commodities, India can gradually capture a larger global market share and sustain a reasonable annual growth rate of exports.

Agro Commodities

• Cotton

Cotton and fabrics is one of the 10 major commodities traded by India, with a material 3.7% share in India's export basket. It saw an 81% Y-o-Y growth in exports value from April21- Feb22. This growth majorly comes from a 258% jump in export volumes from last year. High prices played a minor role, with cotton futures on the New York Mercantile Exchange trading 50% higher at 120 USD/lbs at the end of February than the usual pre-covid levels.

Given the favorable climatic conditions, India is the world's largest cotton producer, but it ranks after China and the US in export terms, contributing around 12% in 2020. However, the growth witnessed in export volumes indicates favorable trade policies, increasing domestic consumption, and growing export demand. This led to an increase in cotton supplies over the years. Additionally, Indian cotton exports enjoy a price advantage over the foreign varieties of the US and Brazil, among others, making them more attractive to the buyers and providing an opportunity for India to strengthen its foothold in its current markets and also explore new markets.

Compared to 2020, from Apr21- Feb22, India's top white fiber buyer- Bangladesh bought 244% more Indian cotton, which is majorly used by its garment industry. Nearly half of India's cotton exports to Bangladesh are done by land, making shipments more prompt and reliable than rival suppliers like the US, which couldn't guarantee on-time shipments due to pandemic-induced labor shortages and port congestions.

With Bangladesh's increasing domestic demand, its US cotton imports are projected to grow 43% Y-o-Y in FY23, which poses a threat to India losing its market share there. Hence, India needs to act quickly and leverage its proximity and price advantage, boost cotton productivity, enhance the quality and ensure timely shipments to buyers in Bangladesh.

Click here for more details

Source: timesofindia.com– May 07, 2022

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India's apparel exports to US grew by 53%

According to the latest data released by the US department of commerce, apparel imports from India to US has increased by 53-54 per cent and has made its way in America's top 10 apparel suppliers list.

India's neighbouring country Pakistan and its apparel export to US also shot up at the same rate of 53-54 per cent.

China continues to be the largest supplier of textiles and clothing to the US, followed by Vietnam with 13.59 per cent share.

During April-March 2021-22 India's apparel exports registered more than 30 per cent growth pegged at USD 16.02 billion compared to the same period last year.

The contribution of the apparel sector in India's total exports is nearly 4.4 per cent with US, the European Union, Parts of Asia and the Middle East as its main markets.

Source: knnindia.co.in – May 07, 2022

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Big push for cotton cultivation, says agriculture min

Agriculture minister M R K Panneerselvam on Sunday said the government was making efforts to turn the state into a leading producer of cotton in the country by increasing the area under the crop cultivation.

Speaking at the inaugural ceremony of the corporate office of Rasi Seeds at Puliakulam here on the day, he said the area under cotton cultivation would be increased to 4.53 lakh acres this year from 3.5 lakh acres in the previous year.

Pointing out that the state was ranked third in the country in cotton production presently, the minister said the government was working on placing the state in number one position in this front in the country.

Panneerselvam said the state has cultivated paddy on an additional five lakh acres this year. "Researchers at the Tamil Nadu Agricultural University (TNAU) are working on introducing a paddy variety that could withstand drought and rain. Similarly, several research activities are going on to boost the agriculture sector in the state."

Earlier, municipal administration minister K N Nehru stressed on the need for consumer preference research to develop quality seeds that would help the farmers. "We have introduced several paddy varieties, but they failed over a period of time. Whereas, Andhra ponni variety continues to rule the market. Research activities to produce quality seeds must be enhanced to help the farmers."

Singireddy Niranjan Reddy, minister for agriculture cooperation and marketing in Telangana, said the day when India would be the sole country to cater for the food needs of the entire world was very close. "We must work with a vision to make quality food products with a target on the international market." Criticising the Union government for not focusing enough on agriculture, he said the state governments were discharging their duties to the people in this regard.

The event was attended by electricity minister V Senthil Balaji, chairman of Rasi Seeds M Ramasami and vice-chairman and managing director of Bayer India Limited D Narain.

Source: timesofindia.indiatimes.com– May 09, 2022

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Textile park: High-level delegation assesses proposed site at Koom Kalan

A high-level delegation comprising Vijoy Kumar Singh, additional secretary, Manoj Sinha, deputy secretary, and other officials from the Union ministry of textile, visited the proposed project site for a 1,000-acre textile park in Koom Kalan, to assess ground-level requirements.

This is among 13 similar projects across India which are being assessed, out of which seven will be selected under PM Mitra Scheme for development as mega textile parks.

Thereafter, the delegation visited Youngman Woollen Mills at Vill Seera (Rahon Road), which has been selected under the prestigious PLI scheme of the Centre.

An interaction with representatives of the textile industry was held at Circuit House, where Singh briefed them on the PM-MITRA Scheme.

Discussions were also held to understand the grassroot problems of the industrialists and the necessary infrastructure required at the proposed park.

Source: hindustantimes.com– May 08, 2022

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KTR says Kitex park will employ 50,000 people

IT minister K.T. Rama Rao announced that once Kitex Textile Park and Ganesh EcoSphere come up along with their 20 ancillaries in Parkal constituency in Warangal district, around 50,000 people will find direct and indirect employment.

He was addressing a public meeting after participating in various developmental programmes during his day visit to Warangal district on Saturday. He laid foundation stones for the establishment of Kitex Textile Park at a cost of ₹ 1,600 crore, Ganesh EcoSphere which manufactures fibre using waste plastic bottles, Kakatiya Mega Textile Park at Shayampet Haveli in Geesukonda mandal and a Mission Bhagiratha tank.

Rama Rao was accompanied by ministers Errabelli Dayakar Rao and Satyavathi Rathod, apart from government chief whip Dasyam Vinay Bhaskar. The visit by KTR comes immediately a day after former Congress president and MP Rahul Gandhi visited the region and addressed a public meeting.

The IT minister pointed out that there are lakhs of farmers who cultivate cotton in Telangana. Those in the textile industry find the state's cotton better than that produced in Gujarat and Andhra Pradesh. Following this, the state government decided to invite Kerala-based Kitex to establish its textile park in Parkal constituency. "The credit for the establishment of the textile park goes to Chief Minister K. Chandrasekhar Rao and Parkal MLA Challa Dharma Reddy," Rama Rao underlined.

He made sarcastic comments about the Rythu Sangarshana Sabha addressed by Rahul Gandhi. He said some political tourists come to Telangana, see developmental works, have dum-biryani in Hyderabad, and leave. KTR maintained that Rahul Gandhi read from a script given to him by local leaders and does not know what is happening in Telangana. "He does not know what paddy grains and cows are (Vadlu teliyadu Adlu teliyadu)," he remarked.

MP Pasanuri Dayakar, MLAs Peddi Sudarshan Reddy and Nannapuneni Narendar, MLC Ravinder Rao, Disabled Corporation chairman Vasudev, Warangal ZP chairperson Gandra Jyothi, city mayor Gundu Sudharani and TRS party leaders Pulla Padmavathi and Gayatri Ravi were among those present.

Source: deccanchronicle.com– May 07, 2022

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