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INTERNATIONAL NEWS

INTERNATIONAL NEWS

US manufacturing grows in Apr, 23rd consecutive economic growth month

Economic activity in the US manufacturing sector grew in April, with the overall economy achieving a 23rd consecutive month of growth, the country's supply executives said in the Institute for Supply Management's (ISM) latest Manufacturing ISM Report on Business. The April manufacturing PMI registered 55.4 per cent, a fall of 1.7 percentage points from the March reading.

The April figure is the lowest reading since July 2020 (53.9 per cent), ISM said in a press release. Seventeen manufacturing industries reported growth in April, and at the top were apparel and leather and allied products.

"Manufacturing performed well for the 23rd straight month, with demand registering slower month-over-month growth (likely due to extended lead times and decades-high material price increases) and consumption softening (due to labour force constraints). Overseas partners are experiencing COVID-19 impacts, creating a near-term headwind for the US manufacturing community. Fifteen per cent of panelists' general comments expressed concern about their Asian partners' ability to deliver reliably in the summer months, up from 5 percent in March," says Timothy R Fiore, who chairs ISM's manufacturing business survey committee.

The new orders index registered 53.5 per cent, down 0.3 percentage point compared to the March reading of 53.8 per cent. The production index reading of 53.6 per cent is a 0.9-percentage point decrease compared to March's figure of 54.5 per cent. The prices index registered 84.6 per cent, down by 2.5 percentage points compared to the March figure of 87.1 per cent.

The backlog of orders index registered 56 per cent, 4 percentage points lower than the March reading of 60 per cent. The supplier deliveries index registered 67.2 per cent, an increase of 1.8 percentage points compared to the March figure of 65.4 per cent.

The inventories index registered 51.6 per cent, 3.9 percentage points lower than the March reading of 55.5 per cent.

The new export orders index reading of 52.7 per cent is down by 0.5 percentage point compared to March's figure of 53.2 per cent. The imports index registered 51.4 per cent, a 0.4-percentage point decrease from the March reading of 51.8 per cent.

Source: fibre2fashion.com– May 10, 2022

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Chinese yuan weakens to 6.6899 against USD

The central parity rate of the Chinese currency renminbi, or yuan, weakened 567 pips (percentage in point) to 6.6899 against the US dollar on May 9, according to the China Foreign Exchange Trade System. In China's spot foreign exchange market, the yuan is allowed to rise or fall by 2 per cent from the central parity rate each trading day.

The central parity rate of the yuan against the US dollar is based on a weighted average of prices offered by market makers before the opening of the interbank market each business day.

The country's economy faces a shrinking job market as well as an aging population amid the COVID-19-induced slowdown. A recent survey conducted by the China Institute for Employment Research (CIER) at the Renmin University of China and job search website Zhaopin indicates that the number of jobs available per applicant among fresh university graduates in China fell to 0.88 in the fourth quarter of 2021, a Hong Kong daily reported.

Source: fibre2fashion.com– May 10, 2022

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China's business woes worsen as overdue payments mount and get passed down supply chain

In the face of a bleak outlook on economic growth amid strict coronavirus controls, Chinese companies are being increasingly challenged by tighter cash flows and longer delays in receiving payments, according to business insiders and a recent survey.

"Tight cash flow and massive payment delays have become a universal problem in the textile industry," said Yun Hai, CEO of Guangzhou Jianpai SCM Tech, a consulting company in the garment supply chain.

"The capacity of foreign competitors has recovered, while geopolitical tensions and Covid outbreaks have put Chinese exporters in a grave situation. Cash flow is tight, adding another layer of pressure to corporate fiscal management."

Coface, a global trade credit insurance group, said on Wednesday in its latest China Corporate Payment Survey on 1,000 Chinese companies that more companies saw payment delays last year, with the proportion rising to 42 per cent from 36 per cent in 2020.

"This was particularly the case for companies that depended mostly on the domestic market for sales, with anecdotal evidence – of weak local economic situations linked to the pandemic, as well as customers' tight liquidity conditions – highlighted as reasons for an increase in overdue payments," it said.

And with the ongoing Omicron outbreaks in the country, including in major economic and financial hubs, many companies are expected to see their financial situations further diminish, Coface said.

"Coface expects corporate bond defaults and insolvencies in China to increase in 2022, especially among sectors that accumulated higher cash-flow risks in 2021 due to the pandemic."

More companies reported extra-long payment delays – those overdue by more than six months – with the proportion rising to 19 per cent in 2021 from 15 per cent in the previous year, according to the survey, which was conducted between November and January.

It also flagged a "notable" increase in the proportion of companies that saw overdue payments exceeding 10 per cent of annual turnover, with the total rising to 40 per cent in 2021 from 27 per cent in the previous year.

More than 50 per cent of construction firms reported payment delays of longer than six months amid the property market downturn, followed by the agri-food industry with 47 per cent, it said.

"With China's economic growth projected to slow in 2022, fewer companies are expecting an improvement in sales and cash flow," the report said.

"Companies highlighted macro risks such as rising raw material prices, weakening domestic market demand, and the continuation of the pandemic."

Bernard Aw, Asia-Pacific economist at Coface, said the Omicron outbreaks since March are expected to further reduce Chinese companies' payments received.

"Some sectors that reported an increase in average payment delays in 2021 will be particularly vulnerable to strict Covid controls, leading to even longer delays, which raises the risk of non-payment," Aw said.

"Examples include transport and textiles. Construction is also vulnerable, as the sector continued to experience the longest payment delays (109 days) among 13 sectors."

The State Council, China's cabinet, said last week that it would launch a sweeping inspection by the end of this month into overdue payments owed to small and medium-sized firms by government organs and big companies.

It pledged to clean up overdue payments in "an undiscriminating manner" and ordered to work out specific repayment plans by the end of June for those businesses that have faced difficulties making payments..

Kent Liu, a Guangzhou-based industrial-digital-printing producer, said the actual situation has worsened in the past few months since the report was compiled.

“We have been most affected by downstream customers, mainly apparel and luggage brands, that have been delaying payments and settlements. So, we have to delay payments to our upstream suppliers,” Liu said.

“If a payment term was three months at the end of last year, now it has been delayed by at least 15 to 20 more days.”

His company’s sales in the domestic market last year totalled about 40 million yuan (US$6 million), but a quarter of that had not been received by year’s end, and he said they are still chasing some of those overdue payments now.

Source: scmp.com– May 11, 2022

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USA: April's Ocean Freight Fees Fell 7% But Pressure on Spot Rates Is Coming

The Freightos Baltic Global index fell 7 percent to $8,747 per 40-foot container or equivalent unit (FEU) in April, driven by the slowdown of available exports out of China due to Covid lockdowns in Shanghai.

This rate is still double its level a year ago and nearly six times the pre-pandemic norm, the monthly report from the freight consultancy said. As the lockdown in Shanghai stretched through the month of April, the availability of exports continued to drop as factories remained closed and trucking capacity to move manufacturing inputs to factories and exports to the ports remained scarce, according to Judah Levine, research lead at Freightos.

"These factors have led to a significant decrease in export volumes out of Shanghai since the lockdown began and a two-day wait for arriving vessels," Levine said.

"Many shippers are diverting exports to Ningbo, where export volumes climbed along with congestion. Although some carriers are omitting Shanghai port calls or canceling some upcoming services, with the ports still open most ships continued to arrive."

He noted that the decrease in available exports, possibly along with seasonality and inflation, contributed to the decrease in ocean rates since the lockdown. Asia-North America West Coast rates declined 11 percent since the end of March to $14,065 per FEU and Asia-North America East Coast prices dipped 3 percent to $17,148 per FEU–both still more than twice their levels a year ago.

"Expectations are that Shanghai will reopen by mid-May at the earliest," Levine said. "The rebound will cause a surge in ocean volumes that will certainly increase congestion, delays and ocean rates. But there is reason to expect that the resulting disruptions won't be as extreme as some we've seen in the last two years."

Lars Jensen, CEO of Vespucci Maritime, noted in the report an increase toward the end of April in the number of blank sailings announced on the Asia-North Europe trade.

"In the beginning of May, we are now also beginning to see blank sailings on the Asia to U.S. East Coast trade," Jensen said. "Unless Shanghai re-opens soon, the carriers are likely to further increase the number of blank sailings, as well as increasingly omitting Shanghai port to safeguard the integrity of the rest of their networks."

He said a consequence of what he called Shanghai's "Phase Two" lockdown period will be upwards pressure on spot rates. Another ripple effect will be a reduction in containers being re-positioned into the area during July and August. "The magnitude is dependent on how much we will see blank sailings in the coming weeks," Jensen said. "This will coincide with peak season and if it is a strong peak this could add further upwards rate pressure during the peak."

Phase Three will be the re-opening of Shanghai, which will result in a surge of cargo out of the area and set the stage for capacity shortages and upward rate pressure, he noted. In addition, the transportation time from exporters in China to importers in U.S. and Europe is now about two months longer than pre-pandemic normal, according to data from Flexport.

"Importers will have learned a lesson from 2021, where it became a problem to get inbound cargo in time for Black Friday and Christmas season," Jensen said. "They will most likely move up their timetable by a couple of months to properly compensate for the anticipated delays. This would potentially lead to the beginning of the peak happening in the wake of the Shanghai re-opening, creating an even tighter market."

Finally, he said, there is another phase that will unfold over the coming years.

"The current shutdown in China is a clear consequence of political choices in the Chinese government," Jensen added. 'Many importers will begin to contemplate shifting part of the production out of China, simply to avoid the unknown risk of what the Chinese government could otherwise be doing to impact manufacturing. This will be a slow exodus of production likely to the benefit of manufacturers in other countries throughout Asia."

Source: sourcingjournal.com– May 10, 2022

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Ensure textile-apparel firms robustly disclose GHG emissions: Report

The 2022 progress report of the Swedish Textile Initiative for Climate Action has advised policymakers to ensure apparel and textile companies disclose their greenhouse gases (GHG) emissions according to the most robust reporting standards and craft sufficient financial policy incentives for such firms to invest in climate action with partners in their supply and value chains.

The GHG disclosure must include all three scopes, as defined by the GHG Protocol, and should be relevant for smaller and medium enterprises (SMEs), not just large multinational corporations.

"Government financial programmes that help to de-risk the investments required to implement and scale existing climate solutions and for the development of new climate-friendly textile innovations are urgently needed," the report said.

Financial policies should also be crafted to incentivise such companies to develop circular business models, such as repair, subscription and resell models, which should replace resource-intensive business models.

Although more companies are experimenting with these models, most are not yet profitable and are therefore not impactful. They will only become the norm, replacing the traditional linear models, if the infrastructure and right economic incentives are in place to make them more attractive than traditional, linear business models, said the report.

Policymakers should also ensure that all companies that place products and services on national markets abide by the same rigorous standards. In other words, companies that invest in serious climate action should not be penalised in the marketplace by other companies who are not subject to the same legislation.

In fact, the reverse should be true, with companies demonstrating serious climate action being sufficiently rewarded so this becomes the norm, not the exception.

"We therefore ask legislators to consider how legislation and policy incentives, like a carbon border adjustment mechanism (CBAM) or excise taxes, could be applied to the apparel and textile industry to reward good performers and penalise poor performers," it said.

Mechanisms should be set up to track the progress or lack thereof of the overall apparel and textile industry on the country and European Union levels. This monitoring should be led by independent organisations, assessed on an annual basis, and should include an analysis of key obstacles, opportunities and action steps.

Policy and support should also address the special challenges and needs faced by SMEs, which have more limited resources and leverage in their supply chains.

Traps to avoid include not overestimating the role consumers can and should play as the driving force for change and not solely relying on requiring disclosure requirements for greenhouse gases at the product level.

Trustworthy consumer information and engagement is important, but research indicates that consumer information and engagement is not sufficient to influence company climate investments or market transformations at the pace and scale needed.

Relying on consumer pressure and influence can also distract from prioritising actions that can have a larger and more long-lasting impact. This means that legislation and policy must go significantly beyond empowering consumers to ensure sufficient economic incentives that reward good climate performance, the report added.

Apparel Impact Institute president Lewis Perkins said it will take $1 trillion for the textile and garment industry to reach net zero by 2050.

"Right now, our programmes in energy efficiency and renewable energy are being funded by brands, manufacturers, and philanthropy, but less than 1 per cent of facilities are being reached each year, so we need to bring in financial capital to accelerate the pace. These are large, capital-intensive investments, so the facilities themselves often don't have enough funds available to make the investment," Perkins said in the report.

“There is still an important role for brands and philanthropy to help de-risk the projects and potentially fund some of the aggregation and certification activities that would make these projects easier for investors to find and participate in, but investors are going to fund the majority of the work. Additional regulations and incentives can help accelerate that even further,” he added.

Source: fibre2fashion.com– May 10, 2022

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MY 2022-23 area under cotton in Mali to rise by 3% to 740000 ha: USDA

The US department of agriculture (USDA) has forecast that the area under cotton cultivation in Mali for marketing year (MY) 2022-23 (August to July) will rise by 3 per cent to 740,000 ha compared to the previous year based on anticipated good farm gate prices and input prices, which have almost doubled worldwide and will motivate farmers to plant more.

The production for MY 2022-23 is expected to increase by 3 per cent to 1.47 million bales assuming good rainfall, low pest pressure and continuous use of organic fertiliser combined with chemical fertiliser.

Farmers are not aware yet how much government subsidy will they get on cotton inputs, USDA said in its Cotton and Products Annual report.

The Malian cotton zone is in the south and west of the country and covered 5.3 million inhabitants in 4,020 villages farming 205,639 cotton farms in MY 2021-22.

State-owned cotton company Compagnie Malienne Pour le Développement des Textiles (CMDT) has four areas of regional responsibility: centre (Fana and the high valley of Niger zone), south (Bougouni and Sikasso zone), north-east (Kouitala and San zone) and west (Kita zone).

Production in MY 2020-21 fell significantly due to farmers' boycott over farm gate price and low input subsidies. However, farmers returned to cotton in 2021-22 and the government estimated area planted at 720,000 ha.

With that, 2021-22 production is up by 377 per cent to 1.43 million bales. This production boost also includes a 9 per cent yield increase compared to the previous year. This growth is mainly the result of a higher rate of organic fertiliser use (63 per cent), a high rate of early planting, and a well dispersed rainfall from June to August.

In MY 2021-22, cotton farmers used chemical fertiliser at a dose of 150 kg per hectare (74 per cent) or 200 kg per hectare (26 per cent). In addition, 63 per cent of farmers were able to add organic fertiliser at a dose of five tonnes per hectare.

In MY 2021-22, about 86 per cent of farmers planted early in June, and 13 per cent of seeds were planted late in July compared to 56 per cent the previous year. About 66 per cent of Malian farmers use animal-powered tractors while 32 per cent have access to more modern, mechanised tractors. In the same MY, the government provided about $74.9 million in fertiliser subsidy.

USDA estimates MY 2022-23 consumption at 25,000 bales. The MY 2021-22 consumption remains unchanged from the previous year based on the country's capacity to process locally-grown cotton.

Mali exports about 98 per cent of its cotton. MY 2022-23 exports are forecast at 1.44 million bales, a 3 per cent increase from the previous year. MY 2021-22 exports are estimated at 1.4 million bales.

Mali is using the Port of Nouakchott in Mauritania to ship cotton fibre, after Senegal and Ivory Coast closed their borders following the January 2022 decision by the Economic Community of West African States (ECOWAS) and the West African Monetary and Economic Union (UEMOA) to impose a range of economic and diplomatic measures against Mali following a military coup.

Malian officials are also pursuing use of the port of Conakry in Guinea to supplement capacity. In 2021, most cotton was exported to China (80 per cent), Thailand (8 per cent) and Indonesia (3 per cent). The European Union and Turkiye imported about 7 per cent of the total quantity.

Stocks for MY 2022-23 are forecast at 10,000 bales, the same as the previous year.

Source: fibre2fashion.com– May 10, 2022

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Malaysia's textile industry has huge potential, says PM

The country's textile industry especially unique and creative fabrics such as weaving and batik has great potential to bring the nation to the international stage and become a profitable commodity, said Prime Minister Datuk Seri Ismail Sabri Yaakob.

In expressing confidence that the country's industry such as the Royal Pahang Weave, batik, songket and tekat (embroidery) is viable to be brought to the world, he said such textile industries could garner the attention of the people and generate income.

"I believe if large-scale promotion is carried out, (to introduce the national textile industry such as weaving and batik) in London, it could attract tourists to the city," he told Malaysian journalists here.

Ismail Sabri, who arrived in the capital of United Kingdom early Tuesday (May 10) morning, visited the Royal Pahang Weave exhibition held for the first time at the Malaysian High Commission in Belgrave Square.

Earlier, the Raja Permaisuri Agong Tunku Hajah Azizah Aminah Maimunah Iskandariah granted an audience to Ismail Sabri and delegation, and Her Majesty later visited the Royal Pahang Weave exhibition, which began on Monday (May 9) and will last until Sunday (May 15).

Tunku Azizah, who has been championing the country's weaving programme, also told Ismail Sabri about the exhibition, which among others showcased weaving from prisons and featured woven clothing including the Raja Permaisuri Agong's woven garment collection.

The Prime Minister, who is on his way to Washington DC to attend the ASEAN-United States Summit, was in London to visit the exhibition and attend the Malaysian Family Hari Raya Aidilfitri gathering with Malaysians residing in the United Kingdom.

Ismail Sabri, who is the Member of Parliament for Bera, was proud of the encouraging response to the Royal Pahang Weave exhibition "Weaving Hope" in conjunction with London Craft Week, as it involved the creativity of inmates of Penor and Bentong Prisons in Pahang.

He said such a weaving programme could be improved, including in terms of training and skills, as well as gaining public support.

Referring to the Pahang government's proposal to establish a weaving centre in Pekan, Pahang, the Prime Minister believed that more technical and vocational training education in the country's textile industry would be created.

He did not rule out the possibility that more training institutes related to the country's textile industry would be established in the future.

Ismail Sabri, who also pioneered the use of batik every Thursday among civil servants and Members of Parliament, said he was proud that the country's batik is now more accepted and its use is getting more popular.

Source: theedgemarkets.com– May 10, 2022

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Vietnam-Brazil trade turnover $6.35 bn in 2021, $1.7 bn in Q1 2022

Vietnam-Brazil bilateral trade turnover reached $6.35 billion in 2021, the highest so far, according to Ngo Xuan Ty, head of the Vietnamese trade office in Brazil. In the first three months of this year, the figure stood at $1.7 billion—up by 11.9 per cent year on year—of which Vietnam's export revenue was $533.2 million—a rise of 3.5 per cent, Ty said.

He was recently addressing a consulting session on export to Brazil held by the Vietnam Trade Promotion Agency under the ministry of industry and trade.

He urged Vietnamese businesses to increase export of garments, textiles and footwear.

To access the market, the firms should pay attention to product quality, packaging and price, while stepping up trade promotion, especially through major fairs in Brazil, he was quoted as saying by a news agency.

Pointing out the complicated tax system in Brazil, Ty asked Vietnamese enterprises to carefully study products, saying they should seek local partners or consulting firms in this regard.

Source: fibre2fashion.com– May 10, 2022

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Cotton Picks: USDA Funding, Reinhart x Haelixa, Recover in Bangladesh

From the United States to Tanzania to Bangladesh, cotton growers and manufacturers have new programs and expansions to support their businesses.

USDA

The U.S. Department of Agriculture (USDA) announced a commitment of $50 million to assist eligible apparel manufacturers of worsted wool suits, sport coats, pants or Pima cotton dress shirts, as well as Pima cotton spinners, and wool fabric manufacturers and spinners.

The new Cotton and Wool Apparel (CAWA) program is part of USDA's Pandemic Assistance for Producers initiative and the department's efforts to help the food, agriculture and forestry sectors get back on track. The USDA rolled out the Pandemic Assistance initiative in March 2021 to reach a broad set of producers and agricultural businesses.

"The transition toward remote work at the onset of the Covid-19 pandemic led to a dramatic decrease in consumer demand for dress clothing, which has continued to affect the entire supply chain of Pima cotton and wool," said Farm Service Agency (FSA) administrator Zach Ducheneaux. "While many manufacturers of these products shifted to the production of personal protective equipment, the industry has nevertheless struggled to recover from a persistent and significant decline in sales."

Ducheneaux said the relief will help keep these manufacturers in business, which will ultimately support American workers and the domestic Pima cotton growers and wool producers who rely on them.

CAWA will support eligible entities that experienced a decrease of at least 15 percent in 2020 gross sales or consumption of eligible products compared to the applicant's gross sales in any of calendar years 2017, 2018 or 2019. Payments to eligible entities will be based on their pre-pandemic market share.

In addition, eligible entities must have filed an affidavit for a payment in any year from 2017 to 2021 for the Pima Agriculture Cotton Trust Fund or Agriculture Wool Apparel Manufacturers Trust Fund through USDA's Foreign Agriculture Service (FSA). USDA's FSA national office is administering the direct payments, which will be funded by the Commodity Credit Corporation.

Reinhart

With traceability becoming a crucial product feature creating value for brands and manufacturers, as well as players at the beginning of the supply chain, international cotton trader Reinhart, together with Alliance Ginneries, now offers traceable GOTS compliant cotton from Tanzania using the DNA-based traceability solution from Haelixa.

The solution brings security and transparency to the spinning mill customers and their retail clients. In this context, it was important for Reinhart that the Haelixa marker is not only harmless for humans and the environment, but also GMO-free, OekoTex Standard 100 compliant and OTS certified.

Haelixa developed a unique marker for Reinhart that is applied directly at the gin in Tanzania with the customized automated sprayer developed by Haelixa. Spinning mills have from this week onward the opportunity to buy this marked cotton from Reinhart.

Traceability will be guaranteed through testing the final garment or any intermediate product to authenticate the marked organic cotton from Tanzania. A mill can buy the traceability package directly from Haelixa, which means a defined number of traceability tests will be done with the products in the Haelixa labs.

Haelixa will ask the mill or the brand to send in samples to verify traceability. After each test, a certificate is issued that confirms traceability of the product back to the region of Mwanza, Tanzania.

"Again and again we hear from our supply chain partners and especially from retailers that it is becoming more and more important to know exactly where the cotton comes from," Marco Bänninger, head trader at Reinhart, said.

"Furthermore, they want to be sure that they are guaranteed to get the cotton for which they are paying a premium. With the Haelixa marker, we would like to offer our customers an additional security."

Recover

Recycled cotton fiber producer Recover has opened its new facility in Bangladesh, expanding the company's manufacturing capabilities.

The Bangladesh facility comes fully equipped with Recover's proprietary machinery, as well as RColorBlend installation, Recover's innovative technology that provides fiber blends with color, with a lower environmental impact.

Located in Dhaka, the new manufacturing hub is an integral part of Recover's strategy for growth and scalability with its recent partnership with Story3 Capital, a top alternative investment manager. This new facility helps Recover support the surging global demand for sustainable fibers, and circularity in the textile and fashion industry.

The strategic location of the facility, close to both textile waste sorting and textile manufacturing, will support Recover with its scaling ambitions, and place it close to the supply and demand, reducing carbon impact of transport.

"The new facility in Bangladesh is just one step in Recover's ambitious expansion plans," Alfredo Ferre, CEO of Recover, said. "In addition to our existing facilities in Spain and Pakistan, we are excited to announce the opening of a new manufacturing hub in Vietnam and a second facility in Bangladesh this year.

Operations in Spain will also be expanded with greater investment in product development and further strategic alliances and business partners established globally."

Source: sourcingjournal.com– May 10, 2022

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NATIONAL NEWS

Cotton textile exports in 2021-22 touch $15.29 billion

Need to watch sustainability of growth as there are supply chain constraints: Texprocil official

Cotton textile exports, including raw cotton, in 2021-22 were $15.29 billion, according to provisional data available.

Manoj Kumar Patodia, Chairman of Cotton Textiles Export Promotion Council (Texprocil), said the government target was $13.6 billion and 2020-2021 exports were $9.8 billion.

All cotton textile and clothing products – yarn, fabrics, and madeups – had seen growth, according to data with Texprocil. Exports to countries such as Bangladesh, U.S., Portugal and Sri Lanka had seen a significant jump.

Executive Director of Texprocil Dr. Siddhartha Rajagopal said yarn exports to China had increased and cotton textile exports to countries such as Egypt and Portugal had also increased. It indicated that Indian exporters were finding new markets. There had been an increase in volume of exports too, especially for yarn and fabrics.

"We need to wait and watch the sustainability of this growth as there are supply chain constraints, high raw material prices, etc. These are adding to the worries of the trade," he added.

Prices of cotton may remain high and Indian exporters should rebuild their business model, factoring in high raw material prices, to remain competitive, industry sources said.

Source: thehindu.com– May 10, 2022

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Trade delegation from Oman in India to strengthen bilateral ties

Trade Ministers from India and Oman to co-chair joint commission meeting on Wednesday

Oman's Minister of Commerce, Industry and Investment Promotion, Qais bin Mohammed al Yousef, is leading a multi-sectoral delegation to India from May 10-14. He will co-chair the 10th Session of the India-Oman Joint Commission Meeting with his Indian counterpart Piyush Goyal on Wednesday.

The Minister is leading a 48-member delegation, including senior officials and business representatives from the health, pharmaceuticals, mining, tourism, telecommunications, energy, shipping and real estate sectors.

"The visit provides an excellent opportunity to renew and strengthen economic ties between the two countries," according to an official release issued by the Commerce & Industry Ministry.

Bilateral trade between the two countries increased by 82 per cent to touch $9.94 billion in 2021-2022

Yousef will also interact with industry representatives in New Delhi and Mumbai and meetings have been scheduled between businesses of both countries during the visit.

Source: thehindubusinessline.com– May 10, 2022

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FM Sitharaman asks industry to form joint ventures with UAE firms, tap FTA with Australia

Stressing that India's trade pacts with the UAE and Australia will boost the country's economic growth, Union finance minister Nirmala Sitharaman on Tuesday urged exporters to tap these new-age agreements to improve their market access in these countries.

In the case of the India-UAE free trade pact, Indian exporters could look at forging joint ventures (JVs) with the UAE's industries to garner a major share of the promised investment of $75 billion in India's infrastructure sector, she said. "When the prime minister visited the UAE some years ago, the royal family promised $75-billion investment in India and now a formal agreement has also been signed," she said, asking the exporters to scale up their businesses by identifying JVs to get a share of the promised investments.

She was addressing a stakeholders' outreach programme in Chennai to sensitise exporters on the opportunities with regard to the recently-signed India-UAE Comprehensive Economic Partnership Agreement (CEPA) and the India-Australia Economic Cooperation and Trade Agreement (ECTA). The India-UAE CEPA is expected to boost bilateral trade from $60 billion to $100 billion in five years, while it is anticipated that the India-Australia ECTA will enhance bilateral trade from $ 27.5 billion to $45-50 billion in the next five years. The trade agreements with the UAE and Australia are expected to create 2 million jobs in the next five years, raising the standards and enhancing the overall welfare of people, she said.

Sitharaman said that it is important to create forward and backward linkages around the sectors to promote industries in which foreign investments are expected due to the trade agreements. The FM warned the industry about making the mistake of relying on raw material imports. The country has been witnessing a great deal of discourse and activity of late in chip production.

Sitharaman said that overseas investments alone would not count for much if there is no raw material integration in local supply chains. "We need to check whether our forward and backward integration is in place or whether we will be reduced to importing our raw materials from other countries," she said.

Citing the example of India's pharma industry, Sitharaman urged the manufacturers to learn from mistakes committed in allowing overseas suppliers to enjoy monopoly and thus play the deciding role in fixing raw material prices.

"Take the example of the pharmaceutical industry; whatever drug you need to manufacture needs to have active pharmaceutical ingredients(API). While our country used to produce the maximum number of APIs, there was another country that came along and began manufacturing cheaper APIs and began enjoying an advantage over us," she added.

Source: financialexpress.com– May 11, 2022

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Why cotton prices are near 11-year high defying fundamentals

High level of "on-call sales" leading to buyers dragging on settlement has pushed up rates

Cotton prices in the global market have increased to almost a 11-year-high on the Intercontinental Exchange (ICE), but stakeholders in the industry say the rise in natural fibre prices defies fundamentals.

According to the US Department of Agriculture (USDA), global production is likely to be higher from earlier estimates this season to June, while consumption is predicted to drop and ending stocks are set to rise.

Despite this, benchmark ICE cotton futures zoomed to 158 US cents a pound (₹96,675 a candy of 356kg) last week before dropping to 143.86 cents (₹87,450) on Monday. Analysts and traders agree that soaring crude oil prices have also resulted in cotton prices heading north.

'Exuberant rally'

The US Department of Agriculture (USDA) in its "World Market and Trade Report" said, "prices on the Intercontinental Exchange have witnessed an exuberant rally, in a subtle reference to spike." The International Cotton Advisory Committee (ICAC), an association of cotton producing, consuming and trading countries, said "it is difficult to identify a concrete reason for this price increase as fundamental supply and demand principles seem to be well balanced".

According to Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF), cotton has rallied in the global market largely due to trade short covering resulting from very high level of "on-call sales" in the range of 6.5 million US bales (8 million bales of 170 kg) in international markets.

"This is high compared with the average of 2.8 million bales such sales over the last few years. In no way, fundamental cotton demand is supporting the upward trend in prices," Dhamodharan said.

Speculation driving prices

Anand Poppat, a Rajkot-based trader of cotton, yarn and cotton waste, told BusinessLine that there was too much speculation on ICE which was driving up the prices.

The feature of the "on-call sales" is that a buyer purchases cotton from a seller or speculator without fixing the price. Some of these buyers had purchased cotton in November hoping that they could fix the prices in January.

But prices did not drop in January, resulting in the buyers postponing the decision to fix the price for the cotton. This gave the leeway to speculators to further push up the prices.

With the season ending in June, buyers will have to settle "on-call sales" fixing a price. If they are unable to settle it in June, then they will prolong the settlement to December, sources said, adding that the speculators-buyers tussle has led to the current rally.

Indian scenario

The buyers have to book loss and come out, they said, adding that once the settlement is done, cotton will not have any big support. Since the prices are yet to be fixed, the index has increased.

The USDA said large quantities of unfixed sales or "on-call sales" coupled with significantly low certificated stocks had resulted in the spike in cotton prices.

Traders and other stakeholders say this is the reason for the surge in cotton prices in India too.

In India, prices of Shankar-6 cotton, the benchmark for exports, were quoted at ₹97,300-700 a candy on Tuesday, up by over ₹1,000 from Monday. Raw cotton was quoted at ₹12,000 a quintal, more than double the minimum support price of ₹5,726 fixed for this year.

Quality cotton is quoting at over ₹1,00,000 a candy, said Poppat.

Lower arrivals

Last week, Tamilnadu Spinning Mills Association (TSMA), in a letter to the Textile Commissioner, said about 90 lakh bales of cotton are yet to arrive in the market and expressed the fear that it could have been hoarded.

But traders said there could be a lag in cotton arrivals in the South, particularly Tamil Nadu. The TSMA said while 336 lakh bales had arrived during October 2020-April 2021, but only 246 lakh bales had arrived in October 2021-April 2022.

Poppat said arrivals were 263 lakh bales, while the Cotton Association of India has pegged it higher at around 275 lakh bales. “Probably, the production is likely to be lower than revised estimates of 340 lakh bales,” said a trade source, who did not wish to be identified.

The Committee on Cotton Production and Consumption pegged cotton production this season to September at 340.62 lakh bales against 352.48 lakh bales last season.

Lack of quality

The rise in cotton prices resulted in spinning mills raising yarn prices by ₹40 a kg across all varieties from May 1. This has resulted in garment and knitwear manufacturers demanding a ban on exports of cotton and cotton yarn. “Any ban on the export of cotton or its yarn will lead to a further rise in prices,” said Poppat.

Southern India Mills Association Chairman Ravi Sam said the Centre should first call for the stock holding details of cotton by various players, except farmers. “Similarly, stock holding of yarn should also be declared by all players,” he said.

ITF’s Dhamodharan said soaring cotton prices have led to demand destruction in cotton fashion products across all developed markets. General inflation has combined with cotton inflation, leading to the current problem. “We are witnessing rapid penetration of alternate fibres also in multiple products,” he said.

"In the domestic market, there is a shortage of quality cotton. Though production may be estimated at 340 lakh bales, the quality of at least 10 per cent of has affected due to unseasonal rains in November-December," said the trade source.

There is little the Government or anyone can do on the price front, the source said.

Sam said the Centre should come up with a new technology mission on cotton. "India's cotton area makes up 39 per cent of the total acreage in the world, but in terms of production, it contributes only 23 per cent. There is immense scope to improve production," he said.

Bearish trend ahead

Trade sources said with the "on-call sales" likely to be settled and all fundamentals pointing to a bearish trend, cotton prices could soon head south.

ITF's Dhamodharan said all signals indicate a possible correction in the coming days. "At the same time, the corrections may also be gradual," he said, adding that currently the entire manufacturing value chain is facing pain due to this uncertain and volatile environment.

Agencies such as the USDA see demand for cotton slowing on account of the Russian-Ukraine conflict.

Poppat said with the Centre allowing cotton imports at zero duty till September 30, Indian mills could import about 25 lakh bales. The USDA has pegged imports at 14 lakh bales against 10.8 lakh bales last season. "So far, 6.5 lakh bales have been imported," Poppat said.

Mills are a little short of inventory and it is one of the reasons why production has slowed. "Imports will take two months to come. Once that happens, the situation will ease," the trade source said. The good prices, however, will result in higher cultivation of cotton across the globe this year, ICAC said.

Source: thehindubusinessline.com– May 10, 2022

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Negotiations going on for signing of FTAs with the UK, EU and Canada: MoS Anupriya Patel

India was expected to conclude free trade agreements with the United Kingdom, Canada, and the European Union before this year-end, Union Minister Anupriya Patel said here on Tuesday.

The Minister of State in Commerce and Industry said the country's trade was "passing through a watershed moment" as it clocked USD 675 billion on exports while merchandise exports accounted for USD 419 billion last year.

"We (The Ministry) are also in process of negotiations on the signing of free trade agreements with the United Kingdom, Canada, and Russia and they may be concluded before the end of the year," she said.

Patel was speaking at the Stakeholder's Outreach Programme organised by Directorate General of Foreign Trade on the occasion of India signing a Comprehensive Economic Partnership Agreement with the United Arab Emirates and the Economic Cooperation Trade Agreement (ECTA) with Australia.

Noting that exports are vital for the growth of a country, she said India concluded the agreement with Australia in just 88 days and it was one of the fastest-ever agreement signed. "It is a very comprehensive agreement," she said.

She pointed out that the India-UAE Comprehensive Economic Partnership Agreement was already "operationalised" and there was huge scope in terms of employment generation.

"Besides employment generation, these agreements will also lead to increase in remittances following the increase in the Indian diaspora (in the two countries)," she said.

Source: financialexpress.com– May 10, 2022

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India, UAE ministers to discuss ways to boost trade ties

Commerce and industry minister Piyush Goyal will meet UAE economy minister Abdulla Bin Touq Al Marri on Wednesday here (Delhi) and discuss ways to further boost trade ties between the two countries, an official statement said on Tuesday.

A high-level delegation led by the UAE minister is visiting India from Wednesday.

“During the visit, the delegation would be meeting with Piyush Goyal, Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, on May 11 and May 13, 2022 in New Delhi and Mumbai respectively to discuss bilateral trade and investment relations,” the commerce ministry said.

The visit provides an opportunity to further strengthen the already close and dynamic economic ties between the two countries, it said.

The visit also includes interactions with key investors of both sides.

The bilateral trade between two countries stood at USD 65.1 billion, making UAE India’s third largest trading partner.

“India is on an ambitious path to achieve USD 5 trillion GDP by 2025 and UAE is considered as a valuable partner in India’s journey to realise this goal,” it said A number of engagements in New Delhi and Mumbai, including B2B events, industry interactions and investor meetings, are scheduled for the visiting UAE delegation during its stay in the country, it added.

Source: financialexpress.com– May 10, 2022

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Govt-appointed panel to finalise RoDTEP rates for SEZs by mid-June

A government-appointed committee headed by former commerce secretary GK Pillai will soon finalise the rates for the export-boosting scheme — RoDTEP — towards exports from special economic zones (SEZs) and export-oriented units (EOUs).

Remission of Duties and Taxes on Export Products (RoDTEP) scheme, which was rolled out last year, enables refund of duties and taxes at the central, state, and local level. It includes levies incurred in the process of manufacture and distribution of export products and currently not being rebated under any other scheme.

The department of commerce has excluded some sectors from the scheme mainly due to budget constraint challenges and some that were doing well. These ineligible categories included exports by SEZs, EOUs as well as sectors such as steel, pharmaceuticals, and chemicals.

“The work started in October. The GK Pillai committee is reworking the tax refund rates for SEZs and EoUs (under RoDTEP). Around 8,000 tariff lines will be covered. It will include export of steel, pharmaceuticals and chemical products from SEZs,” a person aware of the matter told Business Standard.

The committee is likely to submit its report to the department of commerce by mid-June. Thereafter, the commerce department will notify the rates, after discussing the need for an additional budget with the finance ministry's revenue department.

Exclusion of such categories from the scheme had irked exporters who had urged the government to enable tax refund for all sectors. They claimed that non-inclusion of SEZ units and EOUs under the scheme will make these units globally uncompetitive due to export of unrefunded taxes and duties.

Source: business-standard.com– May 11, 2022

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Ensure 24x7 power supply to industry and people: FM Sitharaman to states

At a time when the country is reeling from power crisis, Finance Minister Nirmala Sitharaman has urged the states to have a relook at their energy planning. This is to ensure 24 hours of quality power to the industry and the people.

Indicating that the crisis is a major roadblock for the development of jobs and the industry, she said, "We should all take a call so that electricity shortage should not come to anyone, anywhere. Electricity should be there and it should be at a reasonable rate." The minister also urged the states to look at both renewable and non-renewable sources of power.

The country had seen its worst power crisis in several years by the end of April with a maximum demand of 204.65 Gw on April 28 and energy shortage of 192 MU. Several states, including Haryana, Punjab, Rajasthan, UP and Bihar even faced blackouts. Based on the May 10 data, the country is seeing a demand of 191 Gw and energy shortage of 14.45 MU.

"I am telling everyone, every state to relook at their energy planning ...... from all sources.

Power should be available 24 hours and throughout the year. People should also get quality power, without drop or voltage shortage," she added.

The minister added that the manufacturing sector should also ensure that backward and forward industries are in place for a particular sector. Also, talking about dependency on one country (China) for active pharmaceutical ingredients (APIs), the minister batted for raw material investments in all manufacturing sectors.

Taking the case of chip manufacturing, she asked the industry to look at investment in raw materials for the sector. She added that this needs support from both the Centre and the states. Regarding the rise in cotton and yarn prices, Sitharaman said that the government is looking into the concerns of the industry.

The price of cotton has more than doubled to around Rs 95,000 per candy, up from around Rs 48,000 during the beginning of this season in October.

Commerce, industry and textiles minister Piyush Goyal has already called for a stakeholders' meeting on May 17 to look into the issue. She also indicated that a mutual trust is required between the industry and the government.

On February 18, India and the United Arab Emirates (UAE) had signed the Comprehensive Economic Partnership Agreement (CEPA), which is the first free-trade agreement finalised by the Narendra Modi government.

Talking about the deal and the UAE government's commitment of investing around $75 billion in sovereign funds in India, the minister asked Indian companies to expand their business.

Source: business-standard.com– May 11, 2022

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Indian Economy: Glass half-full or half-empty for India?

After two years of being buffeted by the Covid pandemic and its fallout, the Indian economy is showing strong signs of resilience. Growth has returned rates above 7% and is expected to continue at this level for the next year or two. India is continuing to pursue the "formalisation" of the economy, and this push is helping some firms that might otherwise have remained stuck in old routines. At the upper end of the economy, the number of highly valued startups—often focused on or enabled by information technology—continues to increase. Foreign firms are bullish on India and the purchasing power of its consumers.

The Centre is making progress on divestment, including the landmark sale of Air India and the sale of shares in the Life Insurance Corporation of India. There are signs that corporate balance sheets may be recovering, and this may help the financial sector recover as well. India has returned to being one of the fastest growing economies in the world, a status that had been lost well before the pandemic hit.

Despite all this good news, the "half empty" side of the picture may be of greater concern, requiring serious, immediate, and sustained policy attention. Inflation is certainly a problem. Inflation expectations were heightened even before Putin's invasion of Ukraine, and the Reserve Bank of India has been faulted for acting too slowly, deviating from its inflation-fighting mandate to support the economic recovery. The US Federal Reserve also seems to have been caught in the same situation. One cannot help sympathise with both central banks, since the situation of repeated pandemic waves and supply shocks has been unpredictable.

Another common problem is that both economies have been seeing a two-speed recovery, following an inequitable distribution of negative impacts from the pandemic and consequent disruptions.

What is different is that the US economy is recovering very robustly overall, with historically low unemployment rates (though labor force participation has fallen, as it has in India). In India, employment growth remains anaemic, with longstanding weakness in employment growth made worse by the recent economic shocks.

India is also more likely to suffer lingering negative impacts on the education of its children and youth, and it is being hurt more by the spike in oil prices. In a nutshell, the structural weaknesses that were hampering India's growth before the pandemic are likely to become more apparent once the initial bounceback from the pandemic has played out. It is not yet clear that India can achieve sustained growth of 7-8% for a decade, which ought to be a minimal goal. What needs to be done in the short and medium term?

One of the most critical obstacles to economic growth is access to cost-effective, reliable electric power. This sector is one of the relative failures of India's economic reforms. Even now, electric power shortages are being addressed by increasing the use of coal-based generation, which has tremendous negative consequences in the longer run. By contrast, the Rockefeller Foundation is championing the idea of distributed renewable energy systems, using solar power. In India, it has created a subsidiary, Smart Power, which is investing $75 million in Bihar, Jharkhand and Uttar Pradesh. But this is a drop in the ocean compared to what is needed, and is an obvious example of where public investment can make a difference at the scale and speed that India needs.

Reliable electric power is also a prerequisite for access to the internet, the modern delivery mechanism for knowledge and information of all kinds, including basic education and skill upgrading. Investment in digital infrastructure that goes beyond 5G cellphones is also desperately needed, to provide bandwidth at levels that will permit accelerated and more inclusive growth.

Another area where creative thinking is needed, rather than business as usual, is on the inflation front. The most unequalising aspect of inflation is in the case of food.

Yet India has a foodgrain procurement and distribution policy that is dysfunctional, and doing little or nothing to help reduce food inflation. Instead, it has helped create a situation where farmers in states like Punjab are using free or subsidised electricity to pump groundwater to grow rice in a region where it is not optimal. Scarce electric power is being used to fill warehouses faster than they can be emptied, and to turn the area into a desert.

There are other areas where policy rethinking is needed. None of them really have anything to do with the rhetoric of self-reliance. Instead, the guiding principle of economic policymaking in India needs to be making the best use of India's resources, and doing so in an integrated manner. Investing in people means giving them effective access to knowledge, skills and the means of production.

Investing in natural resources means reducing their depletion and degradation, as well as replenishing them where possible. The national objective function has to be appropriate, as a first step toward figuring out what to do and how to do it. In terms of the simple metaphor, what glass is being filled?.

Source: financialexpress.com– May 11, 2022

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Can the Indian economy survive a global downturn?

Covid-19, a war in Europe and the Shanghai lockdown could derail the world economic recovery

Everyone was hoping this would be the year of recovery when the global economy climbed off its Covid-19 sickbed and took the first tentative steps towards normalcy. As we recovered from Omicron, there were faint hopes we might have put the illness behind us. That brief spurt of optimism now seems premature.

The grim truth is the world couldn't be in a worse shape. For a start, Covid-19 hasn't gone away. Then, there's the Russia-Ukraine war, now stretching into its 77th day with no end in sight. If all that isn't enough, Shanghai, China's biggest industrial city, is still undergoing a prolonged lockdown and supply disruptions could throw the global economy out of gear.

Let's take Covid-19 first. When the pandemic began in early 2020, epidemiologists breezily talked about herd immunity. After suffering through the Delta and Omicron waves, the received wisdom now is herd immunity doesn't come into play with Covid-19.

I'm one of many who's had the illness twice and one person I know has had it three times. It seems 'revenge' partying may be slightly premature.

Should we shut ourselves indoors and not venture out at all? Obviously, we can't stay in isolation forever. What's the medical verdict? "Omicron's milder but we can't treat it like the common flu. Apart from anything else, there are also Long Covid side-effects," says one epidemiologist.

Medical advances are steadily being made in treating Covid-19. But until there's a discovery that really does make the virus like the common flu, we'll never know when a new outbreak might slow the economy or bring it to a juddering halt. Even the largest corporations must plan for such contingencies.

Turn to Russia and Ukraine, a region that till recently was almost an Area of Ignorance for most Indians. The last time our gaze wandered in that direction was when a reactor at the Chernobyl nuclear plant exploded in 1986.

After Moscow began its "special operation" against Ukraine in February, everyone expected Russian tanks would be rolling down Kiev's streets within days and that Volodymyr Zelenskyy (did he consult a numerologist like Jayaalalitha?) would either meet his end fighting or catch the last plane out.

In the event, Zelenskyy's courage and eloquence has been a PR disaster for the Russians with their unconvincing "neo-Nazi" tirades against Ukraine. (Zelenskyy's response to the Americans offering to fly him out when the Russians invaded that, "I don't need a ride, I need more ammunition," is destined for Bartlett's Familiar Quotations). The Russians appear to have settled into waging a grinding war against Ukraine and Europe is facing the harsh reality sanctions may hurt the sanctioning countries as much as they hurt the sanctioned.

Chinese firms moving in

Interestingly, Western companies could be also taking a blow from a different direction. In Russia, Chinese companies are moving in where Western companies have exited. Ural Wind Architects is a new Chinese-Russian joint venture that's just been launched after Danish and Italian companies pulled out of two projects. Similarly, two Chinese oil companies are negotiating to buy Shell's stake in Russia's Sakhalin-2 oil field.

In any event, Europe looks like it will have to survive the coming months without Russian gas and oil. Germany's economy is already feeling the pinch and growth predictions are down to 1.8 per cent from an earlier 4.6 per cent. If that isn't bad enough, German inflation is running at a four-decade high of near eight per cent. Don't forget Germany is super-sensitive about inflation (it was the country that endured hyperinflation in 1922-23 when it took a trillion marks to buy a loaf of bread). Germany is also the locomotive economy pulling the rest of the European Union — if it slows, so does the EU.

Inflation has become a global phenomenon, and the Reserve Bank of India and other central banks are all hiking interest rates with more tightening to come. Throw in the falling rupee and that will push up the prices of all imports starting with oil, coal, steel and cement and other commodities. Inevitably, prices of everyday necessities to luxury goods will rise. The Indonesians have already banned edible oil exports which we need in large quantities and prices of pulses are also rising, driven in part by the Russia-Ukraine war. And as consumers abandon discretionary spending, this lowers tax revenues and leaves the government in a tighter-than-ever squeeze with less to spend on key projects.

It's the same story globally. In the UK, inflation's running at 7 per cent, forcing the Bank of England to increase interest rates four times. In the US, too, where inflation's also at four-decade highs, the Fed has jerked into action and embarked on an aggressive rate-raising phase. But everyone, both in India and abroad, worries raising interest rates may not have much impact against imported inflation from commodities like oil and coal.

If all this isn't enough to stall growth, there's also Chinese leader Xi Jinping's determination to ensure his Zero-Covid strategy stays a winner, at whatever economic price. The result is an ever-stricter lockdown in Shanghai where even delivery boys are being kept off the streets and locked-in residents are relying on government rations. Shanghai's the world's second-largest port and ships are lined up outside to load everything from PCs, laptops and tablets to automobile and white-goods components.

Mercedes Benz's India CEO has gone on record to say he doesn't have enough vehicles to meet strong demand. On a different level, companies like Maruti and Hero are saying there's insufficient demand for their lower-end vehicles, suggesting buyers in those categories are stalling on purchases due to financial worries. Throw in sliding stock markets for the more well-heeled and it's clear discretionary spending will suffer.

Outsourcing to China where manufacturing was cheaper seemed like a great idea until now when the perils of putting all your production eggs in one basket are becoming clear. Over the last 30 years, China has become the world's factory and there's nothing left in the West.

Take shipbuilding for instance. The world's 10 top shipyards are in South Korea and China.

Now, with China in lockdown, it's disrupting global supply lines and creating shortages globally. It's unclear when Shanghai will get Xi's all-clear to open up. We've seen from our own experience a two-to-three week lockdown doesn't stamp out Covid-19 totally and Omicron is especially fast-spreading.

Can India escape the effects of a global slowdown? We emerged relatively unscathed in 1999 and also 2008. But now we're more interlocked with the world and it's tough to see us escaping the multiple blows that are striking different corners of the globe.

Source: thehindubusinessline.com– May 10, 2022

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Textile in trouble

Relentless spikes in prices of cotton in both international and domestic markets over the past few months have pushed the Indian textile sector into the doldrums. Many yarn producers, power looms, hosiery units, garment makers, and exporters have been forced to either suspend or freeze production, rendering thousands of workers jobless.

The exports of garments and allied products, which had grown by nearly 70 per cent in FY22 to touch $40 billion, have come under strain, having been turned price-uncompetitive. According to the industry, many export orders, which had to be renegotiated in view of the changed cost calculations, have been annulled by the importers or diverted to India's rivals such as Bangladesh, Vietnam, China, and Pakistan.

Although the government has sought to bail the industry out by waiving the import duty on cotton, it has not helped much. The global market has firmed up further, ruling out substantial fresh imports to rein in domestic prices, which are currently around double their last year's level. The shortfall in global production, coupled with a spurt in demand after the waning of Covid-19 pandemic, has tightened the supplies, pushing up the prices to new highs. The latest indication of the unabated crisis in the Indian textile sector is the announcement of a two-day strike from May 16 by the garment industry in Tirupur, hailed as the apparel capital of South India, to protest against the exorbitant raw material cost.

The root cause of the textile sector's woes is the failure of cotton output to keep pace with growth in demand for garments and other textile products in the local and export markets. Though the cotton acreage has steadily been expanding, thanks largely to remunerative returns to growers, overall production has remained below par because of a drop in crop yields.

According to Cotton Corporation of India, the country's average cotton productivity, which had risen to over 550 kg a hectare in the mid-2010s, has now plummeted to less than 470 kg. This is far below the global mean output of around 800 kg a hectare. Cotton scientists attribute this decline to the want of new crop improvement technology, especially high-yielding and pest-resistant hybrids, due largely to the government's misguided policies concerning genetically modified (GM) crops.

India's cotton revolution, which was triggered and sustained largely by the use of transgenic BT-cotton hybrids, introduced in 2002-03, lost steam soon after the imposition of the ill-advised ban on the development of new GM crops. This, along with the equally imprudent move to control the prices of BT-cotton seeds, forced the multinational seed technology companies, which had maintained the inflow of new BT-hybrids, to wind up their operations in India.

Many of the old BT-cotton hybrids have, by now, outlived their prime productive life and need to be replaced with the new ones that are not forthcoming. Meanwhile, most other cotton-producing countries have gone several generations ahead in cotton seed technology. The government, therefore, needs to revisit its GM policy, apart from taking other short-term remedial measures, if it intends to revitalise the cotton sector. Unless the indigenous productivity and production of cotton improve, the availability of this much-sought-after natural fibre would continue to be under strain to the detriment of the labour-intensive textile industry.

Source: business-standard.com– May 10, 2022

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Outward FDI nearly halves to USD 3.39 bn in April

India's outward foreign direct investment (OFDI) nearly halved to USD 3.39 billion in April on an annual basis, as per data released by the RBI on Monday.

The OFDI stood at USD 6.71 billion in April 2021.

On sequential basis too, the outward investment from India in April was lower compared to USD 3.44 billion in March 2022.

Of the USD 3.39 billion OFDI, the equity component was USD 544.87 million and loans amounted to USD 764.25 million. Indian companies issued guarantees worth USD 2.08 billion in April 2022.

Source: financialexpress.com – May 10, 2022

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Weak rupee will give Indian exports a short-term boost

India's traditional exports such as IT, agricultural produce, textiles, tea, leather and engineering goods could gain a competitive edge amid the sharp decline in the rupee. Exporters said they are likely to fetch better value for their overseas shipments, especially in markets pegged to the dollar.

However, a depreciating rupee is set to worsen inflationary conditions as India is a net importer, with the trade deficit widening to a record $192.24 billion last fiscal.

High fuel and food inflation have already forced the central bank to raise the benchmark policy rate by a sharp 40 basis points.

Agriculture exports are likely to do well if the rupee weakens further, an official said, adding rice and wheat exports will be particularly competitive and help exporters fetch more orders. Notably, agriculture exports comprised 11.4% of total exports in 2021, as per a brokerage report.

Rafeeque Ahmed, chairman of Farida Group, one of India's largest shoe manufacturers and exporters, said that while rupee depreciation may prove to be a short-term benefit, "it does help to get a little bit more money."

"But most exporters have an element of import also, like the raw materials, and transportation cost. That sort of equalises it for us," he said.

"Rupee depreciation will help us compete against other currencies like those of Bangladesh and China, which are also low," Ahmed added.

However, tea exporters said the benefits of a weaker rupee may not be seen across the board.

"Rupee depreciating won't be a blanket benefit. We will only gain in export destinations that are pegged to the dollar because the Indian rupee has depreciated against the US dollar but has appreciated against the euro and yen on a year-on-year basis," said Anshuman Kanoria, chairman of the Indian Tea Exporters Association.

“So we can benefit in Russia but not in the EU and Japan. We would also benefit in UAE." Russia is among India’s top markets for tea and the Sri Lankan economic crisis has opened new markets for India’s orthodox tea exporters.

Anupam Shah, former chairman of the Engineering Exports Promotion Council (EEPC) said the rupee’s depreciation will definitely help increase exports but the extent of benefits will depend on a slew of factors including global demand, raw material prices, inflation and the Ukraine war.

Madan Sabnavis, chief economist, Bank of Baroda was of the view that since India typically imports more than it exports, “so ultimately, India will pay more for our imports in case of currency depreciation."

“Besides, when the currency depreciates, FPIs are tempted to invest. It will be important to see what RBI does. That will decide the rupee’s range," he added.

Abhay Sinha, DG, Services Export Promotion Council (SEPC) said the rupee depreciation will make imports costlier, which will push up the cost of production in sectors where import content requirement is high.

“Rupee depreciation will affect import intensive sectors making them costlier. Costlier imports and cheaper exports in import intensive sectors will reduce profit margins of Indian exports in certain sectors, particularly few sectors in merchandise exports," he said.

India’s exports of manufactured goods have risen from 1.4% in 2010 to 1.8% in 2019, with broad-based improvement. But this remains much lower than peers. China’s manufacturing export share stands at 18%, Taiwan’s at 2.4%, Korea’s at 3.7% and Mexico’s at 2.8%, a Morgan Stanley report said.

India’s participation in global supply chains remains low, especially compared to other countries, such as East Asian economies.

Source: livemint.com – May 11, 2022

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States' borrowing cost soars to record 7.69%

In spite of a sharp 40 per cent decline in bond issuances, states have been forced to pay more for their market borrowings as the weighted average interest rate touched a record 7.69 per cent at the latest auctions of state government securities.

So far this fiscal, the issuance of State Development Loan (SDL) as state debt is known, has declined 40 per cent as 10 states did not participate in the auctions conducted so far.

However, at the auctions held on Tuesday, the issuances were 7 per cent higher-than-indicated. After four consecutive weeks of trailing the indicative level, it is the largest weekly auction so far in FY23, according to a note from Icra Ratings.

As per the note, at the auctions held on Tuesday, the weighted average cut-off hardened by a whopping 34 basis points (bps) to 7.69 per cent from last week, with rising cut-offs across tenors leaving the spread between the 10-year SDL and G-Sec at 46 bps.

Andhra Pradesh paid a whopping 7.76 per cent for its 10-year money, reflecting the hardening cut-offs across tenors, in spite of a decline in the weighted average tenor to 11 years from 13 years during the same period. This was the first 10-year instrument issued by any state this fiscal.

The benchmark 10-year G-Sec yield rose 18 basis points to 7.30 from 7.12 per cent last Monday), following the RBI hiking the repo rate by 40 bps to 4.40 percent on May 4.

Four states borrowed Rs 10,000 crore on Tuesday, which is Rs 700 crore more than the total amount that had been indicated, and was 7 per cent higher than the Rs 9,300 crore initially indicated in the auction calendar. The issuance was higher as Haryana (Rs 1,500 crore) and Punjab (Rs 500 crore) participated in the auctions even though they did not indicate their participation for this week earlier.

Two states borrowed more than indicated with Maharashtra selling Rs 3,000 crore more than indicated and Andhra Pradesh selling Rs 2,000 crore more than the amount notified in the auction calendar.

In contrast, eight states did not participate in the auction at all, even though they had initially indicated they would borrow Rs 6,300 crore.

However, today's issuance was 17.7 per cent lower than Rs 12,200 crore states borrowed last year.

Cumulatively, four states have raised Rs 22,400 crore so far this fiscal, which is nearly 40 per cent lower than Rs 37,200 crore issued by 13 states/UTs in the same period last year.

Source: financialexpress.com– May 10, 2022

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Madhya Pradesh: Rise in cotton, yarn prices hits production of textile mills

Soaring cotton and yarn prices have hit productivity and squeezed margins of textile and spinning mills which are now running low on inventories and fearing a halt in production.

High input cost has also left cotton based textile and garment units worried about losing orders in international markets.

Association for cotton ginners and traders apprehend a halt in production at small units due to low supply of raw material and increased input cost.

“Mills are already low on inventories and if this situation continues, then most mills may have to shut or reduce production in the next two months.

In other states, mills are shifting from cotton to polyester and viscose due to high input cost,” Madhya Pradesh Cotton Ginners and Traders Association president Manjeet Singh Chawla said.

Millers and spinners said that the availability of raw cotton was limited and this was hurting production capacities.

“There is not much option for getting sufficient raw material supplies. Imported cotton also takes around 90 days to come and worldwide cotton price are high,” Singh said.

There are close to 200 ginning units in Madhya Pradesh of which close to 100 operate from Nimar region.

In spot markets of Madhya Pradesh, 29 mm cotton is trading at Rs 97,000-1 lakh a candy.

“We usually book orders at least 4-5 month in advance but limited availability and high cotton prices has killed margins of textile mills. We have commitment towards our customers and cannot raise prices at the rate at which raw material prices are fluctuating,” Pithampur-based textile unit HRD head H S Jha said.

Madhya Pradesh Cotton Ginners and Traders Association has estimated cotton output in MP at 16-16.5 lakh bales as against the production of 18.5 lakh bales in the last season.

"Worldwide, cotton prices are high and impacting every stakeholders but mills in MP are not in favour of halting production because this has adverse effect on the overall business. Southern mills are contemplating shutting production for some time," Madhya Pradesh Textile Mills Association secretary M C Rawat said.

Source: timesofindia.com– May 11, 2022

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Sutlej Textiles to set up ₹914-crore spinning project in J&K, India

Sutlej Textiles and Industries Limited, a manufacturer and exporter of dyed yarns with presence in home textiles, will set up a green field project for 89,184 spindles comprising of cotton mélange yarn and PC grey yarn along with dye house in Jammu & Kashmir in India at an estimated cost of ₹914 crore, which will be implemented around Q4 FY 2025.

The project will be funded through internal accruals and debt. The existing capacity of the company in yarn production is around 4.21 lakh spindles. The company operates at around 94-95 per cent capacity utilisation, it said in a BSE filing.

Sutlej Textiles has also reported its financial results for the quarter and year ended March 31, 2022. Its total income for FY22 is up 63 per cent at ₹3,112 crore comparted to FY21, while the same for Q4 stands at ₹901 crore, up 31 per cent from Q4 FY21. The EBITDA jumped 206 per cent to reach ₹414 crore for FY22 comparted to FY21 and 62 per cent to reach ₹133 crore in Q4 FY22 compared to the same quarter in FY21.

Commenting on the results, C S Nopany, executive chairman, Sutlej Textiles and Industries Limited, said: "During the fiscal, the Indian yarn players experienced a strong demand amid healthy exports and pent-up demand in domestic market with receding impact of COVID-19. The government of India's growth led Union Budget 2022-23 and policies for textile industry boosted the growth sentiments for the industry and the economy.

With increasing geological risk, higher inflation, interest rates and raw material prices, the company remains cautiously positive for future demand for spinning sector. At Sutlej we experienced strong demand and with our diversified product portfolio, better efficiencies, we witness significant improvement in profitability during the quarter. We remain committed to future growth plans with focus on enhancing our product portfolio, geographical reach and improving efficiencies to deliver better financial results."

Source: fibre2fashion.com– May 10, 2022

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