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INTERNATIONAL NEWS

China Tariffs Under a Microscope as Congress Moves to Advance Trade Bill

Nearly four years since former President Trump hit China-made apparel, footwear and textiles with punitive tariffs, several factors are bringing the Section 301 duties back into the spotlight.

The United States Trade Representative (USTR) is embarking on the first stages of a four-year statutory review of the duties levied against China-made goods. Tariff List 3 and List 4 have been separately targeted for review by a Court of International Trade, which found last month that the USTR failed to adequately respond to public concerns before the duties took effect.

And Thursday will see new movement on a long-awaited trade bill. A House and Senate conference committee will convene for the first time to reconcile their respective versions of the legislation. The Senate's U.S. Innovation and Competition Act (USICA), which passed with bipartisan support in June, calls for a revised tariff exclusion process and the renewal of expired exemptions.

While the House's COMPETES Act does not include that provision, both sides of the aisle support a new process for tariff exclusions as a top trade-reform priority.

"With a Section 301 tariff exclusion process, American manufacturers will be better positioned to obtain the materials they need for production," Senator Pat Toomey (R-Pa.) wrote in a "motion to instruct" memo to members of Congress last week.

More than 130 Democratic and Republican House members issued a joint open letter to USTR Tai's office in January asking that she "immediately" create a "comprehensive, fair, and transparent" tariff exemption process allowing U.S. producers and importers to request relief from Section 301 duties.

"I think Congress is really frustrated with the China policy review overall coming out of the USTR, because nothing's really been done except for a couple of exclusions," said American Apparel and Footwear Association vice president of trade and customs policy Beth Hughes. Amid the industry's calls for financial relief amid record inflation and rising operational costs, the government reinstated tariff exclusions on 352 products, including several textiles, apparel items and bags, in March. Hughes believes economic concerns could finally drive Congress to advance the legislation "whether or not the USTR likes it." Companies have struggled to understand the current process, leaving many confused about where their requests stand or why they're denied, Hughes said.

AAFA and related groups have lobbied for the removal of Section 301 tariffs, claiming that China continues to act with impunity. Meanwhile, tariffs have led to higher costs for American brands and consumers, AAFA senior vice president of policy Nate Herman told Sourcing Journal.

The National Council of Textile Organizations (NCTO), by contrast, has "long called for a fair, transparent exclusion process to help domestic manufacturers compete globally," said Kim Glas, president and CEO of the Washington, D.C.-based organization, which wants most of the punitive tariffs remain in place. "The textile industry was very active in requesting that the last administration move forward with penalty tariffs, because our industry has really been hard hit by the intellectual property theft associated with the Chinese marketplace."

Textile and apparel goods coming into the country are among the top items seized by Customs and Border Protection (CBP). On Wednesday, John Leonard, deputy executive assistant commissioner for the Office of Trade at CBP, said the agency regularly faces an influx of suspected counterfeits and goods potentially made using forced labor.

NCTO believes tariffs provide a mechanism to hit back against these abuses, while encouraging American makers to strengthen domestic supply chains and invest in nearshoring with free trade agreement (FTA) nations. Glas wants to see the exclusion process revised so that certain machinery required for textile production, as well as a number of chemicals and dyes, can be imported duty-free. "There's going to be about a billion dollars of investment in the U.S. and Central America this year, which is historic, and in part that's happening because there are tariffs on finished products coming out of China," she said.

While the Biden administration has yet to walk back Trump-era tariffs, officials haven't said much about whether they've been effective. At an April event hosted by the Bretton Woods Committee, deputy national security advisor Daleep Singh said Trump's imposition of duties "may have given the administration some negotiating leverage, but these tariffs served no strategic purpose." The same week, Treasury Secretary Janet Yellen told Bloomberg that lifting the tariffs to combat inflation was a measure "worth considering" that could produce "some desirable effects" on the U.S. economy.

But so far, the USTR has been unwilling to reverse course. Speaking to the Senate Finance Committee in March, Tai said she was disappointed in China's lack of progress with commitments made in the Phase One deal struck with the former Trump administration.

While Tai's office "launched a direct dialogue" with Beijing in October, "over time it became clear that the PRC would only comply with those trade obligations that fit its own interests." Tai said it was time to "turn the page on the old playbook with China, which focused on changing its behavior," and instead work to defend U.S. competitiveness and economic interests by making strategic investments in domestic capabilities and relationships with allies.

"We recognize that China's unfair trade practices have posed supply challenges to the United States textile industry" and other sectors, Ambassador Sarah Bianchi, Deputy U.S. Trade Representative, said at the NCTO meeting Wednesday.

Bianchi said she has had frequent "disappointing" conversations with her Beijing counterpart that have failed to advance President Biden's agenda. But she stopped short of saying that the Section 301 duties would remain in place.

"We do have this new process coming up, that we're required to do, by statute," she said, referring to the mandatory four-year review of the Section 301 duties. That process, which is "really just getting underway," is pressing the USTR "to take a look at tariffs and this tariff structure, and see what's worked and what happens." The USTR recognizes it's time for a "pivot" that will "widen the approach… to address some of the issues of concern for the president," she added.

This is "different language" than the USTR has used in the past, AAFA president and CEO Steve Lamar told Sourcing Journal one day after Bianchi's remarks. "The 'pivot' is that I think they're now finding that the imperative to do something is a lot stronger than it was even a couple of months ago."

Tariff talk is rising because of growing concerns about inflation, "and the administration is signaling with their words, and increasingly with their deeds, that this is going to be a priority of theirs," Lamar said. While the footwear, apparel, textile and travel goods sectors accounted for just 6 percent of imports last year, Lamar said the industry at large paid $21 billion in 2021 tariffs—about 25 percent of all import duties the U.S. government collects. Unhappy consumers are forcing lawmakers to take notice.

The popular narrative that "tariffs create leverage" has been tested over the past four years, and China has demonstrated that "it's not going to work within that dynamic," Lamar said. He believes the USTR may now be "trying to figure out a process or a pathway to kind of unwind the framework they were handed by the Trump administration."

Addressing the Section 301 duties and a new exclusion process will be a top priority as the congressional conference committee meets this week. "There's a lot of interest—and I think a lot of discipline, to be honest—about trying to keep the package moving," Lamar said.

Source: sourcingjournal.com– May 12, 2022

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Cotton Highlights from May WASDE Report

USDA has released its May 2022 World Agricultural Supply and Demand Estimates (WASDE) report. Here's this month's summary for cotton:

Despite an expected 1-million-acre year-to-year increase in U.S. area planted to cotton, the U.S. cotton projections for 2022/23 include a smaller crop as abandonment is projected to more than double.

Production is forecast at 16.5 million bales, based on 12.2 million planted acres as indicated in the March Prospective Plantings, but harvested area is expected to fall 1.1 million acres to 9.1 million as limited precipitation in the Southwest suggests more abandonment compared with 2021/22's below-average level. With a higher national yield, production is forecast about 1 million bales lower.

With a larger carry in, supplies are projected slightly lower. Exports are also expected to fall slightly, to 14.5 million bales, as the U.S. share of world trade declines. At 2.9 million bales, 2022/23 U.S. ending stocks are projected 500,000 bales lower than the year before, and equivalent to 17% of total use. The marketing year average upland farm price is projected at 90 cents per pound, down slightly from the previous year's record high.

For 2021/22, U.S. cotton production is reduced about 100,000 bales from last month to 17.5 million bales. Exports and consumption are unchanged, and ending stocks are estimated 100,000 bales lower, at 3.4 million. The projected season-average price is 1 cent higher than in April, at 92 cents per pound.

Global supplies in 2022/23 are projected below a year earlier, as lower beginning stocks more than offset a 2.6-million-bale increase in production, with consumption and ending stocks also lower. Increased area is expected to drive production higher, with a 2-million-bale increase expected in India's crop, 500,000-bale gains expected in China and Turkey, and smaller increases forecast for Uzbekistan, Pakistan, and Mexico.

World consumption in 2022/23 is projected to fall 1 million bales from the year before to 122 million bales, with cotton prices currently the highest since 2011 and the highest ever relative to polyester.

World ending stocks are expected to fall 1% from the year before, to 82.8 million bales. World trade is expected to rise 2 million bales as China's imports partly rebound.

The global 2021/22 estimates show lower production and use compared with the previous month. India's crop is reduced 1 million bales as late-season marketings fell, accounting for much of the 1.8- million-bale global decrease.

Projected world consumption is down 1.1 million bales from April as China's forecast is reduced 500,000 bales and historical revisions to Uzbekistan's balance sheet reduced estimated consumption there 500,000 bales. Ending stocks are slightly lower as well, down 270,000 bales to 83.6 million.

Source: cottongrower.com– May 12, 2022

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ASEAN China's top trade partner, EU 2nd, US 3rd

The Association of Southeast Asian Nations (ASEAN) remains China's largest trade partner, accounting for 14.6 per cent of its total foreign trade in the first four months of 2022, with the European Union (EU) and the United States ranking second and third respectively, according to the latest customs statistics. China-US trade volume grew by 10.9 per cent year on year in the period.

China-ASEAN trade totalled 1.84 trillion yuan ($274.5 billion) from January to April, up 7.2 per cent year-on-year.

And in the first quarter of 2022, China's imports and exports with ASEAN reached 1.35 trillion yuan, up 8.4 per cent year-on-year and accounting for 14.4 per cent of China's total foreign trade. In the first two months of this year, ASEAN lagged behind the EU by about 3 billion yuan, temporarily becoming China's second-largest trading partner.

Analysts said that ASEAN's return as China's largest trade partner shows that China-ASEAN economic and trade relations still enjoy significant vitality and strong resilience. The RCEP, effective from January 1 this year, will release more dividends to China-ASEAN trade in the future.

ASEAN became China's largest trading partner in 2020 for the first time, while China has been ASEAN's largest trade partner for 13 consecutive years since 2009.

China's foreign trade with the EU reached 1.73 trillion yuan in the first four months, up 6.8 per cent on a yearly basis. China-US trade totalled 1.56 trillion yuan, up 8.7 per cent year-on-year and China's trade with South Korea reached 764.92 billion yuan, up 8.4 per cent year-on-year.

Source: fibre2fashion.com– May 13, 2022

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Germany's inflation rate at 7.4% in Apr 2022

The inflation rate in Germany stood at 7.4 per cent in April 2022. “The inflation rate thus reached an all-time high for the second month in a row since German reunification”, said Georg Thiel, president of the Federal Statistical Office (Destatis). In March 2022, the inflation rate jumped to 7.3 per cent, the main reason being energy product prices.

What stands out in April 2022 is the above-average increases in food prices. This is where the impact of the war in Ukraine is becoming more and more visible. Destatis also reports that consumer prices were up 0.8 per cent on March 2022.

Energy prices, in particular, have increased considerably since the war started in Ukraine and have had a substantial impact on the inflation rate.

Additional factors are delivery bottlenecks due to interruptions in supply chains caused by the pandemic and the marked price increases at upstream stages in the economic process. Price increases accelerated for consumers not only regarding energy products but also other product groups such as food as a consequence of the situation of war and crisis, Destatis said in a press release.

The prices of goods (total) increased by 12.2 per cent between April 2021 and April 2022. Energy product prices in April 2022 were by 35.3 per cent higher than in the same month a year earlier, following a 39.5 per cent increase in March 2022. Prices of heating oil (plus 98.6 per cent) nearly doubled in April 2022, and marked price rises were also recorded for motor fuels (plus 38.5 per cent) and natural gas (plus 47.5 per cent).

The price increases for the other energy products were markedly above the overall inflation rate, too, for example the prices of solid fuels (plus 23.9 per cent) and of electricity (plus 19.3 per cent). The price increase for energy products was due to several factors.

Source: fibre2fashion.com– May 13, 2022

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13th ITMF Corona-Survey: Business Situation And Expectations Still Positive But Visibly Weaker

In the 2nd half of March 2022, the ITMF conducted the 13th ITMF Corona-Survey amongst more than 220 companies around the world in all segments along the textile value chain.

For the sixth time since May 2021, companies were asked the same set of questions about their 1) business situation, 2) business expectation, 3) order intake, 4) order backlog, and 5) capacity utilization rate. In addition, they were asked about their main concerns and whether and to what extent they can pass on recent costs increases.

On average across all regions and all segments, the business situation in March 2022 remains in positive territory with +14 percentage points (pp). Nevertheless, this is well below the +26pp in November 2021 and the +18pp in January 2022.

That a relative high number of companies (43%) judge their situation as satisfactory shows that demand remains strong despite the many challenges companies are facing on the supply side like delayed deliveries and higher production costs.

When it comes to the business expectations in six months' time, the global textile value chain remains optimistic but stands on a much weaker foundation Since September 2021 the balance between more favorable and less favorable business expectations has fallen from +32pp to +7pp.

This is a clear indication that the textile value chain has passed the tip of a strong business cycle in the 4th quarter of 2021. Whether we will see a broader albeit slower economic growth in the future will depend very much on whether disrupted global supply chains will be rebalanced and how the Russian war in Ukraine will develop in the coming months.

A look at the different regions reveals that the business situation is in positive territory in all regions except for East Asia and Africa where the balance between good and bad business situation is negative. The expectations on the other hand vary strongly. In North, South America and Africa companies anticipate a more favorable business, while in all other regions the balance between more and less favorable is negative.

As for the different segments the downstream segments – weavers/knitters, finishers/printers, and garment and home textile producers – are generally struggling more than the upstream segments – fiber producers, spinners, and textile machinery producers. This is especially true when it comes to passing on higher costs.

The order intake has fallen from a high level of +38pp in November 2021 to +12pp in March 2022. This reflects the weaker business situation. Likewise, also order intake expectations deteriorated in March 2022 from +34pp in January to +22pp in March 2022.

Since July 2021 order backlog rose from 2.3 to 3.1 months. The expectations for order backlog remain unchanged at 2.9 months. The capacity utilization rate stays at around 80%. The expectations are unchanged given the persistent supply chain bottlenecks.

Higher costs for raw materials, energy, and transportation are the main concerns for companies. Weaker demand is another worry though not (yet) a dominant one. On average across the supply chain companies can only pass on 40% of the additional costs.

Source: textileworld.com– May 12, 2022

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UK retail sales drop 1.7% in April 2022 as inflation rises: BRC

UK retail sales in April 2022 decreased 1.7 per cent on a like-for-like basis from April 2021, when they had increased 39.6 per cent. This was below the 3-month average growth of 0.1 per cent and the 12-month average growth of 3.3 per cent, according to a recent report by the British Retail Consortium (BRC).

On a total basis, sales decreased by 0.3 per cent in April, against an increase of 51.1 per cent in April 2021. This is below the 3-month average growth of 3.2 per cent and the 12-month average growth of 6.4 per cent. On a three-year basis (Yo3Y), total retail sales grew 3.9 per cent during April compared with the same month in 2019, BRC said in a media release.

Over the three-months to April, non-food retail sales increased by 1.8 per cent on a like-for-like basis and 6.9 per cent on a total basis. This is below the 12-month total average growth of 11.1 per cent. For the month of April, non-food was in decline year-on-year.

Over the three months to April, in-store sales of non-food items grew 59.3 per cent on a total basis and 45.8 per cent on a like-for-like basis. This was an improvement on the total 12-month average growth of 50.2 per cent. On a three-year comparison, over the three months to March, in-store sales of non-food items declined 48.2 per cent (Yo3Y) on a total basis since March 2019, BRC said.

Online non-food sales decreased by 13.9 per cent during April, compared with growth of 11.3 per cent in April 2021. This is better than the 3-month decline of 24.1 per cent. On a three-year comparison, online non-food sales increased by 51.4 per cent (Yo3Y) in April. This is above the 3-month average increase of 41.6 per cent. Non-food online penetration rate decreased to 38.6 per cent in April from 45.1 per cent in April 2021. However, it was up 15.2 percentage points on the 29.9 per cent seen at the same point in 2019.

Helen Dickinson OBE, chief executive, BRC, said: “The rising cost of living has crushed consumer confidence and put the brakes on consumer spending. Sales growth has been slowing since January, though the real extent of this decline has been masked by rising inflation.

Meanwhile, thanks to the April sunshine, garden goods and fashion saw stronger sales, particularly occasionwear as consumers prepared for summer and this year's wedding season.

"Customers face a difficult year; with the Bank of England predicting inflation to reach more than 10 per cent. Retailers are experiencing higher costs as a result of rising commodity prices, transport costs, labour shortages, delays at ports, and the war in Ukraine. Further headwinds are incoming, such as rising global food prices, which rose 13 per cent between March and April. Retailers will continue to do all they can to mitigate the effects of these costs rises, but unfortunately they cannot absorb them all."

Paul Martin, UK head of retail at KPMG, said: "Sales of clothes and footwear continued to see growth on the high street and online, but conscientious consumers curbed unnecessary spending with technology and items for the home bearing the brunt of spending cutbacks.

"With interest rates and inflation rising and the Bank of England warning of a possible recession, the squeeze on disposable household income is starting to have an impact on the high street. Against a backdrop of falling consumer confidence, the retail sector has a bumpy time ahead as they face spiraling cost pressures from all directions.

Many retailers will have no choice but to raise prices to protect margins, but the longer we see high inflation and real household incomes falling, the more likely it is that consumers will change their spending behaviour, prompting a decline in the health of the retail sector and possibly more casualties on the high street."

Source: fibre2fashion.com– May 12, 2022

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China, Ethiopia sign new agreement for investment facilitation, promotion

China and Ethiopia on Thursday signed a memorandum of understanding with the aim to promote and facilitate investment, which is expected to enhance economic cooperation between the two countries in the area of investment.

It was signed during a joint Investment and Trade Cooperation Forum that was organised in the Ethiopian capital, Addis Ababa.

China's investment in Ethiopia has been mainly limited to infrastructure development, construction, and manufacturing sector – primarily textile manufacturing.

Under the new memorandum of understanding signed today, China could also invest in Ethiopia in the areas of Agriculture, Health, pharmaceuticals, and Industry sectors as well.

Demeke Mekonnen, Deputy Prime Minister and Foreign Affairs Minister, attended the signing ceremony. ENA, state media, cited him as saying " Ethiopia is more attractive for foreign investment after 'homegrown economic reform'."

Qian Keming, China's Commerce Vice-Minister, who also attended the event, remarked about the "need for implementing the nine programs stated under the China-Africa Cooperation."

He also recalled that Ethiopia and China have strong political and economic relations, and expressed that the new agreement will further enhance the cooperation between the two countries.

China, along with Russia, voiced support at the United Nations Security Council and the United States and other European countries were pushing for a sanction regime against Ethiopia in connection with the war in the Tigray region of Ethiopia.

Source: borkena.com– May 12, 2022

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China frees up coastal piggyback system for foreign trade containers

China has freed up the coastal piggyback system for shipping of foreign trade containers between domestic ports, enabling foreign logistics giants like A.P. Moller-Maersk and Orient Overseas Container Line to plan first voyages by May end, according to analysts, who recently said the move highlights China's willingness to further its 'opening up' policy.

The administrative committee of Shanghai's Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone told a recent news conference that China will introduce a container freight forward rate contract trading platform.

Despite a complex international situation and given the impact of the COVID-19 pandemic, the Yangshan Special Comprehensive Bonded Zone in Shanghai has encouraged enterprises to resume production, and the business in the bonded zone has operated smoothly in the first quarter, the committee said.

"The new service (for shipping of foreign trade containers between ports within China) is expected to help cut the logistics costs for both exporters and importers, improve the utilisation rates of container ships, and relieve the tightness of shipping capacity to a certain extent," said Zhou Zhicheng, a researcher at the Beijing-based China Federation of Logistics and Purchasing.

Jens Eskelund, China chief representative of Danish shipping and logistics giant A.P. Moller-Maersk, said the permission for foreign carriers to carry out international relay is very welcome news and represents a tangible step for foreign carriers in China toward achieving market access on reciprocal terms, an official Chinese media outlet reported.

"International relay will allow us to improve services, giving our customers more flexibility and options for their shipments. We are preparing the first shipment in Yangshan terminal in Shanghai, together with the Lin-gang Special Area Administration and other relevant stakeholders," Eskelund said.

Hong Kong-based Asia Shipping Certification Services Co Ltd has been officially approved to carry out statutory ship inspection work in the Lin-gang Special Area as the first inspection agency that is not incorporated in the Chinese mainland.

In March and April, the daily average container throughput in Yangshan terminal reached 66,000 and 59,000 twenty-foot equivalent units or TEUs, each accounting for 90 per cent and 85 per cent respectively of the average level seen in the first quarter.

As of May 8, 193 companies operating in the Yangshan Special Comprehensive Bonded Zone, or 85 per cent of the total, had resumed operations. About half of total employees who work in the bonded zone arrived at their workplaces physically.

"The coastal piggyback system will help boost logistics capacity, improve efficiency and provide more business opportunities for global companies to further expand their market presence in China," said Bai Ming, deputy director of international market research at the Chinese Academy of International Trade and Economic Cooperation.

"The move is more advanced than the coastal transportation policies being practiced in some countries. Major economies such as the United States and Japan have not opened up coastal transportation for global shipping firms yet," Bai said.

China's total imports and exports of goods expanded by 1.9 per cent year on year to a record 32.16 trillion yuan ($4.77 trillion) last year, despite a worldwide slump in shipments due to the pandemic.

Source: fibre2fashion.com– May 12, 2022

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Turkish lira hits record low against US dollar amid high inflation

Turkiye's currency broke through a key threshold against the US dollar. A US dollar was recently traded at 15.03 Turkish liras, exceeding the resistance level of 15. The currency has lost almost 60 per cent of value against the greenback since 2021. The renewed currency depreciation followed a rise in inflation at a monthly rate of 7.25 per cent in April.

It was 69.97 per cent a year earlier, the highest in the last two decades, driven mainly by growing transportation and food prices, the Turkish statistical institute revealed.

A dollar was fluctuating in the narrow band of 14.50-15 liras for the last two months.

In February, the Turkish government announced new economic measures to ease the economic burden on Turkish citizens against the skyrocketing cost of living, including reducing the value-added tax on basic food products and giving credit support to businesses and exporters.

It also raised the monthly minimum wage by 50 per cent to 4,250 liras, but the measures fell short to alleviate the economic suffering, a news agency reported.

Source: fibre2fashion.com– May 12, 2022

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Senegalese cotton farmers can't afford fertiliser sans low cost: USDA

The US department of agriculture (USDA) forecasts the area under cotton cultivation in Senegal for marketing year (MY) 2022-23 at 20,000 ha, an 11 per cent rise from the previous MY on expectations of a strong farm gate price and increased access to agricultural equipment and inputs. With substantially rising input prices, if a solution is not found to reduce fertiliser prices, many farmers will be unable to afford sufficient fertiliser.

The solution has to be found by banks, government and the Societe De Developpement des Fibres Textiles (SODEFITEX). This could result in a decrease in the area under cotton plantation.

MY 2022-23 production is forecast to rise by 13 per cent to 45,000 bales assuming average rains, low pest pressure and appropriate fertiliser use. Private industry estimates 2021-22 area to remain the same as the previous year at 18,000 ha, USDA said in its Cotton and Products Annual report.

MY 2021-22 cotton production is estimated up by 5 per cent at 40,000 bales due to an increased use of fertiliser enriched with calcium, a good crop protection programme, increase access to herbicides and the presence of technical sales advisors in the farms, allowing close supervision to producer.

As with all other West African countries, farm gate prices and input prices have not been announced yet. For many years, the Senegal's subsidy has been applied to the farm gate price and not the fertiliser price to avoid diversion to other crops.

Senegal does not have any operating textile companies. So domestic consumption is assumed to be nil.

MY 2022-23 export is forecasted to increase by 13 per cent at 45,000 bales compared to the previous year based on available supply. MY 2021-22 exports are estimated to decrease by 11 per cent at 40,000 bales due to less available supply, a consequence of a lower ending stocks the previous year.

All the cotton fibre is exported through the Port of Dakar. In 2021, Senegal exported cotton mainly to India (92 per cent) and Turkey (6 per cent).

Stocks for MY 2022-23 are forecast at 3,000 bales, the same as the previous year in anticipation of more exportable supplies.

Private industry believes that the farm gate price may be increased from the previous year to motivate farmers to plant more cotton in MY 2022-23 despite rising fertiliser prices, the USDA report said.

Source: fibre2fashion.com– May 12, 2022

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Cotton fibre producer Recover opens new facility in Bangladesh

Recycled cotton fibre producer, Recover, has announced the opening of its new facility in Bangladesh, expanding the company´s manufacturing capabilities and accelerating its efforts to transform the fashion industry by solving one of the world's biggest environmental issues. The Bangladesh facility comes fully equipped with Recover's proprietary machinery.

The facility has the RColorBlend installation, Recover's innovative technology that provides fibre blends with colour, 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 leading alternative investment manager. This new facility helps Recover support the surging global demand for sustainable fibres, and circularity in the textile and fashion industry, the company said in a press release.

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. Asia is one of the largest cotton waste producing regions and by establishing a presence in Bangladesh, Recover can provide a fully closed loop solution.

"The new facility in Bangladesh is just one step in Recover's ambitious expansion plans. 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," Alfredo Ferre, CEO of Recover, said in a statement.

Source: fibre2fashion.com– May 12, 2022

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Pakistan: 5th Schedule of Customs Act 1969: FPCCI urges FBR to introduce amendments

Federation of Pakistan Chambers of Commerce & Industry (FPCCI) has recommended the Federal Board of Revenue (FBR) to introduce major amendments in the Fifth Schedule of the Customs Act 1969 to promote import substitution by allowing exempt imports of raw materials/ components for the manufacturing of exempt and concessionary imported goods to promote the local manufacturing of engineering/ capital goods.

According to the budget proposals of the FPCCI received at the FBR, the FPCCI has submitted budget proposals in respect of promoting import substitution by way of allowing exempt imports of raw materials, subcomponents and components under the Fifth Schedule of the Customs Act for the manufacturing of following exempt and concessionary imported goods by way of providing a level playing field to promote the local manufacturing of engineering/ capital goods: (i) Plant, machinery, equipment and apparatus including capital goods for various industries sectors mentioned in Part-I of the Fifth Schedule with explanations thereof to include manufacturing of spares, accessories etc.

(ii) Supplies against International Tenders either for local or abroad; (iii) supplies to projects or sectors entitled to import or purchase such goods free of duties and taxes; like Export processing zones, CPEC, Gwadar free zone, SEZs; (iv) Goods imported under concessionary SROs and (v) any other goods as recommended by EDB.

The FPCCI explained that the local manufacturing of engineering/ capital goods local manufacturing of capital goods means plant, machinery, equipment, spares, accessories and apparatus for various industries and sectors as are mentioned in Part-I of the Fifth Schedule of Customs Act, 1969.

According to the Engr MA Jabbar Vice President FPCCI, the government has initiated several projects through local as well as foreign funding in different sectors like energy and infrastructure to strengthen the economy.

Most of these projects are allowed to import required machinery and equipment, including input materials, duty and taxes free. On the other hand, local engineering/ capital goods industry pays duties and taxes on imports of their raw materials, sub-components and components; putting the local industry in a severe disadvantaged position.

Several types of machinery, equipment and components for the above-mentioned projects are allowed concessionary imports, which can be manufactured and procured locally.

He said that more than Rs200 billion exemptions have been provided in addition to another sizeable tax expenditure as concession for the import-based projects. Nothing has been considered for providing the parity to import of raw materials, sub-components and components for the local manufacturing capacity to become supply chain and provide the spares and other intermediary goods for exempted import projects.

He said that these exempted projects in Fifth schedule of the Customs Act include almost all the capital goods and machinery under chapter 84 and 85 and in other chapters. He said that alone chapter 84 and 85 imports are more than 10 billion USD and so are other few chapters capturing the import figures of 10 billion USD in addition to.

He said that by providing parity for the import inputs for local value addition, we can gradually improve the present very low manufacturing percentage for which the present situations and decision-makers appear to be on the same consideration to reduce the imports and improve the industrialization by way of providing parity incentive for local manufacturing.

He said that it is also necessary to mention that the global trade is dominated by engineering goods of more-than 50 per cent in the global trade merchandise, while we are only just chasing the global trade of 6 percent in textile and clothing, wherein also we have not excelled beyond share of two per cent of the total textile trade, even in spite of major of 2.27 billion dollars invested in textile under TERF scheme at three percent with further included spread by banks and providing other subsidies on electricity, gas, ERF and duty drawback of taxes and major share in long term lending.

He further said that he has discussed this issue in the recent meeting with the chairman FBR and the finance minister, who have agreed in principle that our proposal in this regard merits the consideration and it was also expressly agreed by the finance minister in principle to provide a level playing field for made in Pakistan strategy.

Source: brecorder.com– May 13, 2022

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NATIONAL NEWS

Textile PLI 2.0: Minimum investment, turnover criteria may be halved if scheme restricted to garments

Textile Ministry still working on the contours of the scheme; no final decision taken yet on coverage

The Production Linked Incentive (PLI) 2.0 for the textile industry may have a lowered minimum investment and turnover criteria if restricted to garments and apparel. Discussions at the Textile Ministry on the possible scope of the proposed second edition of the PLI scheme for textiles hint at a distinct possibility of it being restricted to garments and apparel because of the high employment generation prospects in this sector.

“The specifics of the second edition of the PLI scheme, including the product coverage, are still being finalised. Restricting the scheme to garments and apparel is being seriously considered as it is where employment generation is at its maximum. If that happens, then the minimum investment requirement could be brought down to ₹40–50 crore, while the minimum turnover requirement could be about ₹100 crore. But the matter is still under discussion, “an official tracking the development told BusinessLine.

The Textile Ministry has so far approved 64 applications under the scheme with a proposed total investment of ₹19,798 crore and a projected turnover of ₹1,93,926 crore. As the budget for incentives under the scheme, fixed at ₹10,683 crore, is more than what would be utilised as pay-outs to the 64 short-listed investors, the excess of about ₹4,000 crore can be utilised as incentives under PLI 2.0.

PLI scheme

The PLI scheme for textiles, in its existing form, is divided into two parts and is available for the production of man-made fibre (MMF) fabrics and apparels as well as technical textiles. The first part of the scheme requires a minimum investment of ₹300 crore and a minimum turnover of ₹600 crore.

Investors are entitled to an incentive of 15 per cent of the minimum turnover in the first year, which would go down by 1 per cent over the next four years. Part two requires a minimum investment of ₹100 crore, resulting in a minimum turnover of ₹200 crore. The incentive here is lower at 11 per cent in the first year, which would be reduced by 1 per cent over the next four years.

“A majority of the 64 proposals that have been approved so far are under part two, where the minimum investment and turnover criteria is lower. To ensure participation of a larger number of garment and apparel manufacturers, it would certainly need to be brought down further,” the official said.

Manufacturing of garments is not very capital intensive, unlike other kinds of textiles such as technical textiles or integrated value chains where weaving, spinning, and processing have to be undertaken. But garmenting and apparel is not very capital intensive, the official explained.

“Basically, you have to make a shed or a building and put the sewing machine there. Typically, a thousand machines should cost around ₹40 crore. So, the minimum investment limit for the scheme should not be over ₹40-50 crore. Since the ratio of investment to turnover for garments is relatively better, the minimum turnover requirement could be ₹100 crore,” the official said.

The PLI schemes announced by the Centre across 14 sectors have the potential to generate at least 60 lakh new job opportunities, according to the Finance Ministry.

Source: thehindubusinessline.com – May 12, 2022

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Department of Commerce conducts outreach Programme on India-UAE CEPA and India-Australia ECTA in Bengaluru

Exports play a crucial role in realizing Atmanirbhar Bharat, said Shri Prahlad Joshi, Union Minister of Parliamentary Affairs, Coal and Mines, who addressed the outreach Programme on India-UAE CEPA and India-Australia ECTA organized by Department of Commerce in Bengaluru today.

Shri Joshi, who was the Chief Guest at the event highlighted the various initiatives and reforms being undertaken by the Government of India to further improve the ease of doing business; the significant milestones achieved in the form of the record high annual exports of goods and services in the current year of around US$ 674 billion; and finally delineated the immense advantages of the State of Karnataka.

The Department of Commerce, Government of India, in coordination with the Industries and Commerce Department, Government of the State of Karnataka, and the Services Export Promotion Council (SEPC), and other Apex Industry Bodies, Export Promotion Councils, Local Chambers of Commerce and Industry, organized a Stakeholders' Outreach Programme on India-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) and India-Australia Economic Cooperation and Trade Agreement (ECTA) today, at Hotel Shangri La, Palace Road, Vasanth Nagar, Bengaluru, Karnataka.

States outreach programmes are part of series of concerted and coordinated efforts being made by the Department of Commerce, Government of India, to sensitize and create awareness amongst exporters across the country on the conducive platform and the favourable trade ecosystem that is being created with conclusion of these landmark Trade Agreements with partners countries exhibiting significant trade complementarities with India. This particular outreach event was exclusively meant for local industry and exporters, particularly from the MSME sector, from the State of Karnataka. Given the importance of the event and the potential for immense benefits for the industry participants, the event witnessed participation of over 200 businessmen from the State of Karnataka, cutting across industry segments and sectors.

As part of the event, two panel discussions were also conducted with the participation from Industry representatives. The panelists discussed ways and means of leveraging on the strengths of Karnataka, as a leading export hub, and optimizing the gains from the Trade Agreements in exports of both goods and services. Further, there was participation from various sectors of industry such as Engineering, Pharmaceuticals, Gems and Jewellery, Textiles, IT&ITES, Mining & Minerals, Education services, and R&D etc.

Delivering the welcome remarks, Dr. Abhay Sinha, Director General, SEPC provided an overview of the two recently concluded landmark trade agreements, viz., India-UAE CEPA and India-Australia ECTA and succinctly highlighted the benefits that can accrue to the exporters from the State of Karnataka.

Shri Darpan Jain, Joint Secretary, Department of Commerce, delivered a comprehensive presentation, which elaborated on the various aspects of the Trade Agreements and explained in detail the concessions on goods and services exchanged by India with the UAE and Australia, measures incorporated for facilitation of bilateral trade, safeguards that have been placed to protect the Industry, and projected gains in exports, GDP, and employment across various sectors, particularly the labour intensive ones.

A need to diversify India's services export basket, presently dominated by IT/ITeS, was emphasized and potential benefits in various services sectors arising from these FTAs were highlighted. These include Professional Services, Business Services, Audio Visual Services, Education Services, Health Services, Fintech etc.

Shri Dr E.V.Ramana Reddy, Additional Chief Secretary, Government of Karnataka, provided an overview of the Industrial profile of Karnataka and also spoke about the huge latent potential of the State, which is already a powerhouse of IT/ITES, ranking first in the country in IT/ITES exports. He also expressed optimism at the prospect of the State deriving benefits from these Trade Agreements on the back of its own immense advantages. He also shared a statistical snapshot of Karnataka, including an overview of the macroeconomic indicators, external sector performance, and a summary compilation of top goods and services exported from the State.

Participants at the event exhibited enthusiasm at the prospects of deriving immense benefits from the Trade Agreements and committed to forging newer trade relationships with importers in these partner countries with an objective to increase their market shares across sectors and Industries. For more details of the Agreements, please visit the following official websites.

India-UAE CEPA:

https://commerce.gov.in/international-trade/trade-agreements/comprehensive-economic-partnership-agreement-between-the-government-of-the-republic-of-india-and-the-government-of-the-united-arab-emirates-uae/

India-Australia ECTA:

https://www.dfat.gov.au/trade/agreements/negotiations/aifta/australia-india-ecta-official-text

Source: pib.gov.in – May 12, 2022

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India may consider a preferential trade pact with Oman, says Goyal

Also looking for a comprehensive agreement with the GCC region

India may consider negotiating a preferential trade agreement (PTA) with Oman while it works on a comprehensive economic agreement with the Gulf Cooperation Council (GCC), Commerce and Industry Minister Piyush Goyal said at the India-Oman Joint Business Council meeting on Thursday.

“We have discussed certain items where there are some issues that need to be addressed. We may consider doing a preferential trade agreement with Oman, to begin with, because we are looking for a comprehensive agreement between the GCC region and India,” Goyal said at the India-Oman Joint Business Council meeting on Thursday.

Oman’s Minister of Commerce, Industry, and Investment Promotion Qais bin Mohammed Al Yousef, Omani envoy to India Sheikh Hamad Bin Saif Bin Abdul Aziz Al-Rawahi, Indian Ambassador to Oman Amit Narang, and industry representatives from both countries were present at the meeting.

Second country

India has just concluded a free trade agreement with the UAE, one of the six GCC members. Oman will be the second country from the group that India will be negotiating a trade agreement with if things advance in the stated direction.

The other GCC members include Saudi Arabia, Kuwait, Qatar, and Bahrain. Although, India’s proposed free trade agreement with the GCC has been stuck for long, efforts are now on to restart the talks.

The Minister said that the long overdue Joint Commission Meeting (JCM) that took place on Wednesday between India and Oman, which had been long overdue, was a very productive one. He expressed confidence that the discussions with business leaders on both sides would complement the discussions under JCM and come up with new ideas to boost bilateral partnership.

Goyal pointed out that connections and friendship between the two countries went back 5,000 years, yet two-way trade was in the region of $7-8 billion, while investment was hovering around $5-6 billion. The Minister stressed that all the engagement that happened in the JCM, the friendship between him and his counterpart in Oman, the visionary leadership of the heads of both nations, and the warm people-to-people ties between the two nations should and must lead to a significant increase in business to business engagement, according to an official statement released by the Commerce & Industry Ministry.

Noting the market study on cooperation in the pharmaceutical sector that was unveiled at the JCM, the Minister expressed confidence that it would be of great value to Indian industry wishing to establish a presence in Oman. “Our pharma companies will bring quality products at competitive prices to consumers in Oman and help bring down the cost of healthcare,” he assured. He also thanked Oman for agreeing to fast-track approval for Indian medicines that had already been cleared by strong regulatory environments like the UK, the EU, and the US.

India’s exports to Oman include mineral fuels, machinery, cereals, articles of iron or steel, electrical and electronic equipment, vegetables, dairy products, meat and chemicals and plastics. The main items of import from Oman include mineral fuels, fertilisers, chemicals, plastics, iron & steel and aluminium.

Source: thehindubusinessline.com– May 12, 2022

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UAE Minister of Economy, H.E. Abdulla Bin Touq Al Marri meets Union Finance and Corporate Affairs Minister Smt. Nirmala Sitharaman

H.E. Abdulla Bin Touq Al Marri, UAE Minister of Economy, United Arab Emirates made a courtesy call on Smt. Nirmala Sitharaman, Union Finance and Corporate Affairs Minister in New Delhi, today. Both sides discussed the strong economic and commercial engagement between the India-UAE and the comprehensive strategic partnership which is driving the multifaceted bilateral relations.

H.E. Abdulla Bin Touq Al Marri and a high-level UAE delegation are in New Delhi for India-UAE Economic Partnership Summit – "India-UAE CEPA: Unleashing the Golden Era". Such regular exchanges and bilateral meetings further deepen India's engagement and harness newer areas while maximally exploiting the existing institutional arrangements.

Source: pib.gov.in– May 12, 2022

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Shri Narayan Rane invites UAE to invest in India, calls for working together to enable MSMEs to explore new opportunities

Union Minister for MSME Shri Narayan Rane along with MoS, MSME, Shri BPS Verma and senior Officers of the Ministry met the Government of UAE delegation led by MoS for Entrepreneurship and SMEs Dr. Ahmad Belhoul Al Falasi.

Shri Rane highlighted that UAE is India's third largest trading partner and we look forward to work together to set up a system that enables the MSMEs to explore new opportunities and also scale the already existing businesses. He invited the UAE to invest in India in sectors such as infrastructure, food processing, energy .

AS&DC, MSME Shri Shailesh Kumar Singh reiterated that the SMEs of both countries have immense potential to scale up bilateral trade by sharing best practices, knowledge, skilling, transfer of technology .

JS, MSME Ms. Mercy Epao said that India and the UAE enjoy excellent bilateral relations, which are deeply rooted historically and culturally and we look forward to future endeavors. She highlighted that CEPA has opened new opportunities for trade and investments between the two countries which will benefit SMEs and startups.

Source: pib.gov.in– May 12, 2022

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Economic growth to slow if RBI hikes rates: Finance secy Somanathan

India's economic growth rate is likely to slow if the central bank hikes interest rates, finance secretary T V Somanathan told CNBC TV18 on Thursday.

The Reserve Bank of India is likely to raise its inflation projection for the current fiscal year at its June monetary policy meeting and will consider more interest rate hikes, a source said on Wednesday.

The central bank hiked its repo rate by 40 basis points (bps) to 4.40 per cent following an emergency meeting earlier this month

Source: business-standard.com– May 13, 2022

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Repo rate hike may slow growth a bit, says finance secretary

The rate hike by the Reserve Bank of India (RBI) to control inflation will lead to a “less high growth rate” for the country, as demand is expected to moderate as a result of the central bank’s move, finance secretary TV Somanathan said on Thursday.

“When interest rates go up, demand is expected to moderate and that’s part of the reason for increasing the interest rates,” he told CNBV TV18. He, however, added that despite the effect of rate hike on demand, “India would still be one of the fastest growing economies”.

The official said the government has not told the RBI to manage yields for its borrowings, as “interest rate is a monetary policy tool to calm inflation”. He was responding to reports that the central bank may buy government debt to put a lid on elevated yields.

The 10-year G-sec yield had gone up by 31 basis points last week after the central bank hiked the benchmark lending rate by 40 basis points, in an out-of-cycle action on May 4.

“The government is in constant conversation with the RBI at all times — good times, bad times, normal times and abnormal times — as the RBI is the government’s debt manager,” he added.

The official said higher interest rates is unlikely to hit the capex plans in the private sector, which does not take investment decision based on interest rate alone.

Despite likely about Rs 1.8 trillion additional expenditure on subsidies on fertiliser (about Rs 1 trillion) and food (Rs 0.8 trillion on free grains scheme in H1), Somanathan said he didn’t see any reason for a fundamental change in fiscal policy at this point.

“Some of the numbers have changed, but the changes have been on both sides of both expenditure and revenue. So in terms of the net fiscal position, we’re not very different from where we were on February 1,” he added.

Somanathan had told FE recently that additional subsidy expenditures would likely be offset by additional tax and disinvestment receipts in FY23. According to an FE estimate, the Centre's net tax receipts, net of transfers to the state could be a steep Rs 1.7 trillion higher than the BE of Rs 19.35 trillion in FY23. The tax receipts are to be boosted by robust mop-up of direct taxes and the higher-than- expected goods and services tax (GST) collections. Additionally, proceeds of about Rs 21,000 crore from LIC's IPO will come in as extra receipts as this was not factored in the Budget for the current fiscal year.

On GST compensation requirement after the five-year guarantee on revenue ends on June 30, the official told the TV channel that GST Council is seized of the matter.

"But, I think the problem (revenue constraints of states) is of a smaller size than we might have thought a year ago."

Gross GST collections have been robust in recent months with April showing a record Rs 1.68 trillion. The average monthly GST collection FY23 may average about `1.3-1.35 trillion as against Rs 1.2 trillion factored in the FY23 Budget.

However, there could still be a shortfall in GST revenue growth compared with 14% annually guaranteed by the Centre as included compensation and back-to-back loan arrangements in the past two years.

Source: financialexpress.com– May 13, 2022

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Future tense for textile value chain as cotton price zooms

With cotton prices breaching the Rs 100,000 per candy mark, the entire textile value chain is in the throes of a grim financial crisis, compounded by dismal export demand and production cuts at every level.

Not only smaller units, even bigger players are feeling the heat of increasing cost of important raw materials. Even the government's decision to abolish import duty on cotton has not provided the much-needed reprieve to the ailing textile industry, the second biggest employment generator after the agriculture sector.

"Textile companies are bleeding due to the steep rise in cotton prices. There is production cut all across. They are finding it difficult to match retail rates in proportion to high cotton prices. We want the government to intervene to curb the relentless bullish trend in cotton," says Chintan Thaker, president, Welspun Group.

Thaker said that bigger companies like Welspun have no choice but to continue production activities in order to fulfill long-term orders of their international clients. Welspun's textile units in Gujarat are running at 60% capacity. "If the current situation prevails for a longer period of time, there would be further production cuts," Thaker warned.

"Nearly 25-odd denim makers in Gujarat have curtailed production, ranging from 25% to 50%," says Ashish Shah, MD of Ahmedabad-based Aarvee Denims and Exports. Most of the denim producers are suffering losses as it is not possible to balance cotton and other raw material prices with finished products, says Shah. Aarvee Denims too is witnessing a 50% production cut.

Spinning units are the biggest sufferers of inflated cotton prices, claims Gautam Dhamsania, secretary, Spinners Association of Gujarat (SAG). "Procurement of cotton from spinning mills has gone down by 50% over the past one month.

Exports demand for cotton yarn is weak," he reveals.Dhamsania says that of the 120 spinning mills in Gujarat, five-six have closed operations and another half a dozen have shifted to polyester and viscose yarn making.

The rest have reduced production and working hours, he lamented. Saurin Parikh, president of SAG, attributes the current unrealistically high prices of cotton to future trading on commodity exchanges, coupled with stock piling in large quantities by a handful of multinational companies. He proposes that the government should put a stock limit on cotton to curtail increasing prices.

“A large quantity of grey fabric comes from Tamil Nadu to Gujarat for processing. With weavers in Tamil Nadu having reduced production by 50% due to increased prices of cotton yarn, processors in Gujarat are not getting fresh processing job orders from the southern state,” says Naresh Sharma, president Ahmedabad Textile Processors’ Association.

Apart from knitted cotton yarns, there has been less demand for polyester and viscose-knitted yarns also from Tamil Nadu since the past fortnight, says Dev Kishan Mangani, former president of Surat Textile Traders Association (STTA). The Tirupur cluster is mainly sourcing knitting yarns from Surat and Ludhiana.

The price rise in cotton and cotton yarn has hit the Tirupur garment-export cluster badly. Knitwear exporters feel they would find the going difficult, if the problem is not addressed immediately. They are waiting for the outcome of the proposed meeting of Union commerce minister Piyush Goyal with textile stakeholders scheduled for next Tuesday. Asia’s largest knitwear cluster is observing a two-day strike from Monday in protest against high yarn prices over a period of one year.

“This would be a peaceful strike. There won’t be any dharna or protest march. All the units in the cluster will remain closed for two days. Our aim is to draw the attention of the authorities and seek a solution from the prevailing situation,” said Raja M Shanmugham, president, Tirupur Exporters’ Association (TEA).

The TEA has also sought assistance from all leading banks to tide over the financial crisis faced by the knitwear exporters, mostly small units, which are reeling under the burden of unprecedentedly high yarn prices. It has asked banks to handhold the exporters and provide ample financial assistance. The TEA has also sought fresh infusion of liquidity schemes like ECLGS. It wants MSMEs to be permitted to avail additional credit facilities of 10-20% of the existing limit.

Market observers feel the severity of the impact on the value-added knitwear garment sector will have a cascading effect on each stage of manufacturing, threatening the livelihood of thousands of workers employed with these units, said the TEA. Apart from increased prices of yarns, knitwear-exporting units are also facing a hike in freight charges due to the Russia-Ukraine war.

The knitwear exporters may not be able to fulfill more than 40% of their export orders in prevailing situations, Shanmugham apprehends. "Tirupur-based exporters are in the process of preparing the first summer order for the export market and the second summer order is due in May-end. We are doubtful that we will be able to deliver these orders and hence the TEA has approached yarn suppliers to revoke price hike," he states grimly.

Source: financialexpress.com– May 13, 2022

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MoS Darshana Jardosh inaugurates first-ever Mumbai edition of Gartex Texprocess India

Union Minister of State for Textiles Darshana Jardosh today inaugurated the first ever Mumbai edition of Gartex Texprocess India. Jointly organised by Messe Frankfurt India and MEX Exhibitions, the trade fair aims to accelerate technological advances in the Indian textile and garments industry through a showcase of innovative and competitively-priced products from over 120 exhibitors.

Impressed by the arrangements, Ms. Jardosh said, shows like GARTEX will enhance the spirit of 'Atma Nirbhar Bharat' in the field of Textile machinery manufacturing. Stating that textile sector contributes two percent of India's GDP and about 15 percent of country's export earnings, the minister said the textile sector is growing with the support of production linked incentive scheme for the Man Made Fabric -MMF-) segment and Technical Textiles, that aims to increase domestic manufacturing and generate employment.

She also congratulated the organisers for bringing together leaders of India's Denim industry onto one platform to make GARTEX, India's biggest and most comprehensive exhibition on Denims. The minister added that the exhibition provides an opportunity to domestic manufacturers to identify the right technology needed for the growth of Indian textiles.

The three day exhibition, being held at the Jio World Convention Centre will display innovations in textile and garment manufacturing machinery, denim, trimmings and screen-printing verticals. For the very first time in India, topics like flash dyeing of Indigo, Digital manufacturing, bio dyeing, and the Sustainability initiative by Levi Strauss will be discussed at 'Denim Talks' scheduled for Friday.

Source: theindianawaaz.com– May 12, 2022

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European apparel brands reduce garment offtake from Tirupur, Noida

European apparel brands have slashed garment offtake from Tirupur and Noida by up to 25 per cent as the they cut discretionary expenses due to the uncertainty in the region about the fallout of the Russia-Ukraine war.

As all the big global brands have closed shutters in Russia, the order flow from Europe has dwindled. Tirupur exporters fear that in FY23 exports may come down by 20%-25% if this trend continues. The garment hub annually exports Rs 35,000 crore worth of goods.

"It is not that the European buyers are not placing orders. But the volumes have come down. Also, yarn prices have gone up by 110 per cent since 2020. The buyers have already absorbed the increase in prices by two to three times," said Raja Shanmugam, president, Tirupur Exporters Association (TEA).

High yarn price is posing a problem to the garment manufacturing units in Tirupur. "Most of them are MSMEs. Since the yarn prices have gone up, delivering goods on time is becoming difficult. But the foreign buyers rely on India because of the stability in country." Tirupur houses 2,000 knitwear garment export units and another 18,000 ancillary units that are suppliers to the knitwear units.

TEA president Shanmugam added that the units have given a closure call on 16th and 17th May protesting the rising yarn prices.

Lalit Thukral, president, Noida Apparel Export Cluster said the units at Noida have seen a 15 per cent drop in orders from Europe. "Unlike Tirupur, we sell high value items. Our base price for a garment is $5, which may go up to $10.

What we are seeing in Europe is that they are not ready to part with their money for buying clothes. They are saving that money for food and other essential commodities. Till such time the uncertainty continues, the volume of orders will be less."

"For instance, earlier if a buyer was purchasing 150,000 pieces, he is now buying 1,00,000 pieces," added Thukral.

The closure of global brands in Russia too has impacted Indian garment exporting units. Spanish fashion retailer Inditex that owns the Zara brand has halted trading in Russia, closing its 502 shops and stopping online sales a fortnight ago.

H&M has also suspended operations in Russia following the invasion of Ukraine and imposition of sanctions. Spain's second-largest fashion retailer Mango has also announced temporarily closing its 120 Russian shops.

Source: economictimes.com– May 13, 2022

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Textile mills struggle as cotton price hits 11-year high

Cotton prices have gained nearly 40 percent in 2022 and are at an 11-year high on the back of a demand-supply mismatch. This is hurting cotton yarn spinners and cotton-based textile and garments manufacturers, forcing many to cut down on operations across the country.

While spinning mills are partially operational, few fabric manufacturers have decided to hit a stop button to their production at least for a few days.

Industry watchers estimate that the average consumption of cotton per month has also reduced from around 29 lakh bales to 19 lakh bales per month in India. What is further worrying is the fact that the arrival of cotton is slow during this season 2021-22.

The Tamilnadu Spinning Mills Association has already made three representations to the Textile Commissioner, Mumbai on this matter.

"Many of the spinning mills in Tamilnadu, which contribute up to 40 percent production in the whole country, are running their mills only for five days in a week and many mills are adopting 12 hours of shift and keeping their activities closed for another 12 hours. This means, effectively there is only 35 to 40 percent production going on," says K Venkatachalam, chief advisor of the association.

The yarn spinners in the number one cotton-growing state of India, Gujarat, are bleeding and have reported a cash loss of Rs 30 to Rs 40 per kg.

"The rise in prices in the international market and low domestic and international demand is worrying the spinning mills. While we are happy that farmers get high prices for their produce, we hope the price surge in input cost is distributed across the value chain. The spinners cannot just carry the burden of price rise," says Ripple Patel, vice president of the Gujarat spinners' association.

The government has tried supporting the sector by removing the 10 percent import duty on cotton in April. This move was aimed at encouraging purchases from markets outside of India to address domestic shortages. However, the move may have resulted in a surge in international prices.

The global commodity market fears that India, which is the top exporter of cotton, may ban exports and this has pushed the prices to surge further.

Meanwhile, the Spinning Mills Association advisor believes that the rise in cotton prices and issues relating to the non-availability of quality cotton to spin quality yarn in India is because the Cotton Corporation of India (CCI) did not buy any cotton this season since October 1, 2021.

"Traders and multinational companies engaged in the cotton trading have started stocking the cotton and are creating an artificial shortage in the market..." said Venkatachalam.

As a result of all this the price of cotton has gone up from Rs 37,000-Rs 45,000 per candy to Rs 97,000 - Rs 1,04,000 in recent months, he adds.

These production cuts may not hurt the value chain immediately, but if no measures are adopted, the fear is that the end consumer may also be hurt soon.

Source: cnbctv18.com– May 13, 2022

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Maharashtra allocates ₹1,000 cr to increase cotton, soyabean production

Funds to be used to introduce modern tech, create value chain

The Maharashtra State Cabinet has approved funds of ₹1,000 crore to increase cotton and soybean production in the State. About 42 lakh hectares in the State are under cotton cultivation while soybean is cultivated on over 46 lakh hectares.

The output of cotton and soya is less compared to the production in other States and the government will use the funds to introduce new technology to farmers to increase productivity.

The cabinet observed that some farmers using modern technology are getting better output while other farmers are struggling to gain profits. Along with providing assistance to use modern technology to grow cotton and soyabean, the government will also use the funds to create a value chain in the next three years.

The government will involve agriculture colleges to strengthen the seed chain and also provide grants to farmers so that they can use quality fertilisers. The government also plans to use the funds to create basic infrastructure including storage facilities, processing units, cleaning and grading units and other infrastructure.

A press statement issued by the government said the programme will be implemented in the talukas where the average productivity of cotton and soybean is lower compared to other talukas.

Resource farmers

The extension communication method will be used and farmers who are progressive and willing to experiment will be promoted as resource farmers to inspire other farmers. The extension officials will disseminate the innovations and research in agricultural universities to farmers.

Village level farmers' groups will be created and these groups will be exposed to experiments in farming, field visits, and innovations. The government's focus will be on capacity building, the government added in the press note.

Crops in the drought zone

Vidarbha and Marathwada regions of the State which witness the highest number of farmer suicides are the major cotton and soybean growing regions in the State.

Many parts of these regions are involved in subsistence farming and droughts and unseasonal rains have damaged the crop in the last few years.

Despite all efforts, the government has failed to curb farmer suicides in the region. The government hopes that the introduction of new technology which will result in an increase in productivity of cotton and soybean and will help to curb agrarian distress and stop farmer suicides.

Source: thehindubusinessline.com– May 12, 2022

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Industrialisation in Tamil Nadu's development

A closer look at the State's manufacturing industry and its current challenges

Tamil Nadu, along with Kerala, is noted for its relatively inclusive development path. Both States have registered higher levels of development and lower levels of poverty compared to other major States. Unlike Kerala, Tamil Nadu's development trajectory however draws upon a dynamic manufacturing and high-end services sector for its sustenance. As Kalaiyarasan and I argue in our book The Dravidian Model: Interpreting the Political Economy of Tamil Nadu, it is the State's ability to combine dynamic industrialisation with effective investments in public health and education that has translated into better social and economic outcomes. Why is the process of industrialisation critical to the State's developmental vision?

Modernisation for social justice

The Dravidian movement that shaped the political ethos in the State held that modernisation of the economic sphere is critical to secure social justice and address caste-based inequalities. The colonial regime fostered the emergence of new sites of power through expansion of the sphere of modern administration and economic activity that allowed caste elites to further strengthen their power by virtue of their access to education. Social justice therefore demanded democratising access to this sphere.

A caste-centric society also generated a range of economic unfreedoms for lower castes as it codified and structured a hierarchy of labourers with low caste labour confined to low status occupations requiring manual labour. Workers, as Periyar pointed out, were 'born labourers' with little scope for economic mobility. Addressing such unfreedoms therefore warranted a movement of lower castes into non-traditional sectors which can undermine such rigidities. Two sets of processes were therefore critical to this project.

To enable labour to move out of inherited occupations, modern education had to be broad-based so as to help lower caste workers acquire skills that caste-based division of labour deny them. Investments in education along with incentives for the entry of children from lower caste households into education and affirmative action policies constitute one critical axis of intervention.

Such interventions have to be backed by ensuring employment opportunities through an expansion of the modern economy. Industrialisation is therefore crucial to shift workers from traditional occupations, agriculture in particular, to the non-farm and urban economy. Interventions, therefore, sought to spur manufacturing along with democratisation of access to education and skills.

Employment and education

The State has indeed met with a degree of success in this regard. According to the State Human Development Report released in 2017, Tamil Nadu, along with Kerala, derives the least share of State income and employment from agriculture (both as wage labour and as cultivators) among major States. In fact, the latest Situation Assessment Survey of Agricultural Households and Land and Holdings of Households in Rural India, 2019 published by the National Statistics Office (NSO) indicates that only 26.3% of rural households in the State are agricultural households. These are households that derive a minimum of ₹4,000 per year from agricultural activities including livestock produce, and with at least one person reporting to be self-employed in agriculture either in principal or subsidiary status.

Even by this generous definition, nearly 3/4 of rural households in Tamil Nadu are non-agricultural compared to the all-India average of just 53%. In fact, even among agricultural households in the State, a higher share of income from wage employment was derived from non-agriculture sectors than agriculture.

Three aspects of this process of diversification are noteworthy. Investments in education, technical education in particular, has been crucial. As per the All-India Survey of Higher Education for 2019-20, Gross Enrolment Ratio (GER) in tertiary education for those in the age group 18 to 23 was the highest in the State at 51.4%. The GER for Scheduled Caste (SC) youth was lower at 39.6%, but still the highest for SC youth among all major States. Tamil Nadu also has the highest number of students enrolled in polytechnics as well as the largest number of professional colleges in the country.

The manufacturing industry

On the demand side, the State stands third in terms of manufacturing output after Maharashtra and Gujarat, but is home to the largest number of factories and workers employed in organised manufacturing in the country. Manufacturing is relatively more labour intensive in Tamil Nadu.

Textiles, garments, auto components and leather goods sectors dominate the manufacturing landscape of the State. Importantly, the share of wages in the Tamil Nadu manufacturing sector has been relatively better than in other major manufacturing States. As per data furnished by the Annual Survey of Industries, the share paid as wages and salaries in gross value added by organised manufacturing in the State was 19% in 2018-19. This share was only 11.2% and 13.6% in Gujarat and Maharashtra respectively.

This higher wage share is true for specific sectors within manufacturing. In the apparel making sector, which is labour intensive and spread across the three States, the share accruing to labour in Tamil Nadu's garment industry is again higher than the other two States. While it is 32.5% and 26.2% in Gujarat and Maharashtra respectively in 2018-19, the share of wages and salaries to workers in Tamil Nadu was 38.2%.

Finally, Tamil Nadu is the only major State that has a strong manufacturing sector along with a vibrant knowledge-based services economy. Though Maharashtra continues to be a leading software services exporter because of its early mover advantage, its share has steadily declined whereas Tamil Nadu has increased and sustained its share of exports. The Chennai region has also emerged as the most important hub for the Software as a Service (SaaS) segment in the country.

Apart from software services, the State is also a major healthcare service destination. These are clearly outcomes of building up human capabilities in the State. Nevertheless, a few recent trends challenge the ability of such industrialisation to sustain the State's inclusive development trajectory.

At a crossroad

Globally, and within India, there has been a steady decline in the ability of manufacturing to generate the quantum of jobs as it had in the past. More cars and two-wheelers, for example, are being produced by fewer workers.

This decline in employment elasticity of manufacturing undermines the sector's ability to act as a conduit for labour to exit from agriculture. Though manufacturing managed to fulfil this role until the last decades of the 20th century, Dani Rodrik, the Harvard-based economist points out that recent technological shifts and changes in trade regimes constrain this process in late developing economies like India.

High levels of automation of routine and low-end tasks that earlier offered avenues to enter into the non-farm sector has adversely affected this process of mobility. Second, possibilities of import substitution, such as erecting trade barriers so as to promote domestic manufacture of imported goods, is a lot less possible under the current trade regime and hence difficult for new actors to enter.

A more worrying trend, currently, is about the quality of jobs in manufacturing.

Lack of quality employment in the manufacturing industry

In the past, there were vertical mobility paths within firms in the organised sector that allowed a semi-skilled worker entering as an apprentice in a factory to move on to become a supervisor and even attain managerial positions in the factory over time.

Such mobility pathways are almost non-existent in the present manufacturing sector. Most firms recruit freshers from polytechnics and/or Industrial Training Institutes (ITIs) as apprentices. At the end of the mandatory period of training, they are rarely retained.

Workers are expected to fend for themselves in the labour market based on the skills they have acquired. Heads of technical institutes like polytechnics and ITIs recall that leading firms in Chennai would offer regular employment to even 20% of such apprentices in the past.

At present, they say that it is hard to see even three or four of them getting such long-term employment contracts. The possibility of a long-term career is even less in small and medium enterprises (SMEs) which have been adversely affected by a range of factors over the last quinquennial.

Apart from reduction in mobility pathways within firms, a major deterrent for workers to seek employment in manufacturing is the relatively lower wage rates. Depending on the firm, apprentices are paid anywhere between ₹8,000 to ₹12,000 in the Chennai and Coimbatore region which are major manufacturing locations in the State. This tends to be lower than what they can earn from say working as drivers or as delivery boys in the gig economy. The chances for wage levels to increase in the factories are not high in the short to medium term. Many also come from poor households, often belonging to the first generation of learners accessing higher education, with parents working in the informal economy. Any income or health shocks at the household level or disruptions in the familial architecture of social protection drive them to seek immediate employment that may often be outside manufacturing.

There are a couple of additional factors that deter youth from taking up manufacturing jobs. Those who migrate to Chennai or Coimbatore from rural areas for these jobs are burdened with considerable expenditure on housing and food. This constrains their ability to save. Further, youth seem to prefer the autonomy and flexibility of time that service sector jobs give them compared to the eight-hour work shifts in manufacturing and a strict work regimen.

Dependence on migrant labour

As a result, there are less takers for jobs in the manufacturing sector. In the Coimbatore region, known for its dynamic micro, small and medium enterprises, this inability to attract or retain labour in the factories has led to entrepreneurs expressing opinions against welfare provisioning to poor households as it undermines incentives for youth to work in their units. Many rely on inter-state migrant labour to address this gap as thin profit margins and new vulnerabilities deter them from improving the terms of employment.

This preference for migrant labour is translating into a nativist demand to employ only in-State labour among some political quarters. Heads of technical institutes do concur that many students do not continue in manufacturing jobs or use their skill sets acquired in these educational institutions. Thus, investments in education are not translating adequately into gainful employment for large sections of youth as the manufacturing sector is not able to attract skilled labour.

Finally, efforts to move manufacturing to less industrialised regions in the State have met with mixed success. While there has been movement into the periphery of existing clusters, industrial parks set up in backward regions have not met with the desired success, especially in southern Tamil Nadu.

This raises the obvious question: Why are manufacturing firms not able to improve the quality of employment? To begin with, the MSME sector has been adversely affected by a range of factors that include macro-economic shocks, supply chain disruptions due to the pandemic and more recently high raw material and logistics costs. Second, at the entry level, firms do not require workers with advanced skill sets. Third, firms may not be able to pay competitive wages to in-State labour on account of lower productivity or lower returns especially in comparison to the middle and higher end services sector. Fourth, smaller manufacturers are of the opinion that given the higher returns to speculation in real estate markets, incentives to invest in manufacturing are lowered. Finally, firms also rate the skills imparted in technical institutes to be of inadequate quality.

Solutions and challenges

In an open economic environment, a policy focus on mere expansion of volume of output may not sustain manufacturing in the long run. Competition based primarily on low wage costs may lead to a situation where returns may continue to fall even as output and employment expand. To arrest the possibility of such ‘immiserising’ growth, it is important to ensure that firms diversify over time into segments of manufacturing where skill, quality, technology and design intensify. This will allow both firms and the State to appropriate more returns, and generate new employment and production linkages as it is difficult for firms with merely low-cost advantage to enter or compete. Appropriation of more value also enables producers to improve the quality of employment.

The fact that the wage share as well as educational attainments is higher in Tamil Nadu suggests an opportunity. The higher labour cost creates strong incentives for firms to utilise skilled labour in ways that can augment value addition. In other words, rather than focussing on cheap labour costs, incentives must be created for firms to deploy available skills to upgrade in product markets. In the absence of such upgrading, there is likely to be a strong downward pressure on wages or conditions of work.

In terms of policy, this clearly requires a move away from merely providing financial incentives like low-cost land, power or tax concessions.

Strong institutions that can facilitate innovation in key sectors in collaboration with the private sector are therefore important. Institutions like the Central Leather Research Institute (CLRI) and the South India Textile Research Association (SITRA) are examples of such possibilities.

Globally, the experiences of Hsinchu Science Park and the Industrial Technology Research Institute in Taiwan are worth taking on board. The fact that the State has competencies in both manufacturing and in knowledge-based services opens up more policy space for intervention.

Source: thehindu.com– May 12, 2022

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Indian yarn suppliers facing buyer crisis for higher price

Nowadays, the cotton yarn trade remained weak in markets of southern India, because the spinners tried to maintain yarn prices at a higher level, but buyers were not willing to buy yarn at higher prices.

The matter is the weaving and garment industries are unable to find any takers for costlier products, also powerlooms are running at very low capacity.

However, powerloom owners and stockists are getting handsome profits on older stocks of previous lower costs.

According to a broker from Mumbai, “Power looms in Maharashtra are running with only 20-25 percent capacity as demand is very poor. Powerloom owners are not getting sufficient buying for costlier fabric. Instead, they were selling fabric from stocks which was produced on cheaper yarn.”

As per the trade sources, such stocks of lower cost are proven beneficial. For example, earlier, fabric which was priced at ₹25-30 per meter 12-18 month back, is now being sold at ₹50-60 per meter due to costlier cotton. But stockists’ cost is lower as it was produced from cheaper cotton yarn.

Cotton yarn prices remained stable in Tiruppur market also. Buyers are unwilling to buy fresh as downstream industry is not accepting costlier fabric, also uncertain demand scenario is discouraging buyers in the entire value chain.

In Tiruppur market, 30 count combed cotton yarn was traded at ₹430-440 per kg (GST extra), 34 count combed at ₹440-445 per kg and 40 count combed at ₹470-470 per kg. Cotton yarn of 30 count carded was sold at ₹390-400 per kg, 34 count carded at ₹405-415 per kg and 40 count carded at ₹415-425 per kg.

Besides, in the global market, ZCE cotton yarn May 2022 futures traded up by CNY 75 to CNY 26,675 per ton while September 2022 traded higher by CNY 70 at CNY 27,570 per MT today.

ZCE cotton May contract lost CNY 120 to CNY 21,345 per MT whereas September contract traded down by CNY 55 at CNY 21,220 per MT.

ICE cotton futures settled Monday's session lower after high volatility between positive and negative zones, as sporadic buying deals provided optimism which was washed away by the dollar's strength.

Cotton contract for July was down 0.68 cents to 142.93 cents per lb. December contract traded at US cent 123.63 per pound with loss of 0.11 cent.

In Gujarat, cotton prices strengthened for the second consecutive session on Tuesday due to increased demand from mills, while daily arrivals also improved.

Source: textiletoday.com.bd– May 12, 2022

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