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INTERNATIONAL NEWS

Exploring China+ one strategy can help India emerge a reliable global MMF supplier

Currently, the third largest producer of synthetic and MMF fibres and polymers like polyester, PP, nylons and viscose etc, India aims to enhance its production capacity for technical textiles to $27 billion by 2026. As per a Textile Value Chain report, increased availability of MMF and synthetic fibers of all types helped create higher interest in non wovens and technical textiles during the COVID. In future, demand for these fibers is likely to increase 7 to 8 per cent per annum on an average compared to the current growth rate of 4 to 4.5 per cent.

The share of MMF textiles in global textile and clothing exports in developed countries has reached around 35 per cent, offering a perfect opportunity for future growth and development of these fibers. Currently, growing at a CAGR of 8 per cent, global technical textiles and nonwovens trade ranges between $260 billion to $275 billion, almost double the growth rate of normal textile and clothing sector of 4.5 per cent. India's share in this fast growing and key textile sector is less than 1 per cent of global trade.

Target $27 million growth by 2026

Currently, growth in this sector is being led by China followed by Europe. India ranks third in the competitive availability of synthetic and MMF fibres and polymers like polyester, PP, nylon and viscose, etc. To upgrade its presence in the global technical textiles market, India needs to increase its market size to $27 billion by 2026.

India can achieve this by focusing on production of specialty industrial textiles like medical textiles and geotechnical textiles for use in high-growth and strategic sectors like medicines, aerospace, defense and civil infrastructure segments. Technical textiles are being used for creating high speed rail network, new ports, new airports and tunnels and roads in high altitude areas like Kashmir, Ladakh and North East and also a string of new highways, etc.

The four most impactful new policies that would help drive production and use of technical textiles in India include: Rs 160,000 million TTDS scheme for focusing on developing advanced technologies and new machines; Rs 10,000 million-National Technical Textiles Mission Scheme to venture into high tech projects in technical textiles; PLI or the production linked scheme to enhance production and use of both MMF fibers and technical textiles; and MITRA scheme for development and operations of large size or mega textile parks to attract large global investment into such world class 'play n plug' manufacturing zones across the country.

Develop specialty fibers and scale up wages

To enhance the size of India's textile sector to over $100 billion by 2024, get 8 per cent market share in global textile and clothing/technical textiles trade, India needs emerge as a leading global supplier alongside China and offer all key raw materials and MMF fibres.

India also needs to develop specialty fibres like carbon fibres, Aramides, ceramic, glass and others. It needs to scale up wages in new markets and sign new FTAs with major export destinations like the EU and the US. Traditionally, India has been a dominant player in cotton-based textile sector. Now, to enhance its presence in MMF sector, it needs to increase its share in global textile and clothing trade to over 5 per cent and emerge as a reliable alternative supplier alongside China.

Source: fashionatingworld.com – May 18, 2022

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UN drops forecast for global economic growth in 2022 to 3.1%

The United Nations on Wednesday significantly lowered its forecast for global economic growth this year from 4% to 3.1%, saying the war in Ukraine has triggered increasing global food and commodity prices and exacerbated inflationary pressures, upending the fragile recovery from the COVID-19 pandemic.

The mid-2022 forecast from the U.N. Department of Economic and Social Affairs said the downgrade in growth prospects is broad-based, including the world's largest economies — the United States, China and most significantly the European Union — and the majority of other developed and developing countries.

The World Economic Situation and Prospects report also warned that the current forecast of 3.1% "faces significant downside risks from further intensification of the war in Ukraine and potential new waves of the pandemic." "This slowdown and the war in Ukraine — triggering sharp increases in food and fertilizer prices — will hit the developing countries particularly hard, exacerbating food insecurity and increasing poverty," the report said.

According to the U.N. forecast, global inflation is projected to increase to 6.7% in 2022, twice the average of 2.9% during 2010-2020, with sharp rises in food and energy prices.

U.N. Secretary-General Antonio Guterres said: "The war in Ukraine — in all its dimensions — is setting in motion a crisis that is also devastating global energy markets, disrupting financial systems and exacerbating extreme vulnerabilities for the developing world." He urged "quick and decisive action" to ensure a steady flow of food and energy supplies to open markets, saying this requires the lifting of export restrictions, releasing surpluses and reserves to countries in need, and addressing the increase in food prices "to calm market volatility." The 26-page report said the war in Ukraine is not only exacting heavy tolls on its economy and Russia's but is also affecting the economies of neighbors in Central Asia and Europe.

The economy of the European Union — which in 2020 imported 57.5% of its energy consumption and is most directly hit by disruptions in energy supplies from Russia — is now expected to grow by only 2.7% this year, down from the January forecast of 3.9%, the report said.

The U.S. economy is expected to grow by 2.6% in 2022 and 1.8% in 2023, a significant downward revision from the January forecast, the report said, pointing to stubbornly high inflation, aggressive monetary tightening by the U.S. Federal Reserve and the direct spillover of the war in Ukraine.

In China, the U.N. said, the economy is projected to grow by 4.5% this year, down from 8.1% in 2021. It cited rolling lockdowns in major cities to contain the Omicron wave of the COVID-19 pandemic in the first quarter of the year.

"The resulting slowdown in economic activities contributed to prolonging supply chains disruptions, negatively affecting other developing countries through trade channels," the report said. "In addition, soaring commodity prices contributed to higher manufacturing costs across the region, adversely affecting exports." As a group, the U.N. said the economies of developing countries are forecast to grow by 4.1% this year, down from 6.7% in 2021.

Source: financialexpress.com– May 18, 2022

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Bangladesh needs new initiatives to reduce RMG's impact on environment

Improving production facilities and compliance standards will boost Bangladesh's apparel exports to $100 billion in the next 10 years, observed international clothing retailers and brands at the recent Sustainable Apparel Forum 2022 in Dhaka. Bangladesh will continue to remain the most preferred apparel sourcing destination for brands, opined buyers at the forum. Ziaur Rahman, Head-Bangladesh, Pakistan and Ethiopia, H&M explained, the maturity achieved by industry leaders in the last 40 years will enable them to invest as per buyers' requirements.

More investments in circular fashion and product diversification

Bangladesh currently has many green factories and also complies with workplace safety and other required standards, making it eligible to achieve $100 garment exports in the next 10 years, Rahman affirmed. Emphasizing on the importance of Bangladesh market he said, H&M sources garments from around 300 Bangladesh factories. This year, it plans to source around 11 per cent of Bangladesh's total export value. However, to boost exports, Bangladesh needs to increase investments in innovation, circular fashion, product diversification and human development.

Agreeing with him, Shafiur Rahman, Regional Operations Manager, G-Star RAW said, his company plans to increase garment sourcing from Bangladesh by 30 per cent to $90 million in the next three years. Earlier sourcing about 75 per cent knitwear items, the company recently diversified to denim, woven and outerwear products, he added.

Italian garment machinery manufacturer and supplier Tonello has been supplying garment machinery in Bangladesh for last 28 years. Alice Tonello, Director- R&D, emphasized, the garment sector in Bangladesh will continue to grow. Her company has so far supplied 1,500 textile, garment and washing machines to Bangladeshi garment factories.

Yilmaz Demir, Regional Sales Manager – Asia, Bossa, also affirmed, Bangladesh is doing well as factories have improved production facilities. His company has been selling about one million yards of denim fabrics worth £5 million in Bangladesh for the last 16 years, he added. However, raw material prices have increased post pandemic. Also, the changes introduced in Generalized System of Preferences may create problems for Bangladesh in future.

Exporters concerned about low profit margins

Appreciating Bangladesh for becoming more compliant, Rashid Iqbal, Executive Director, Naveena Export a Pakistani-based denim fabrics manufacturer said, his company exports 5 lakh meter of denim fabrics worth $1.7 million to Bangladesh a month and it is an important market for them.

Amidst shifting work orders from China, Vietnam, Myanmar and Sri Lanka, a growing cause of concern is the low profit margins of garment exporters, opined Dolly Thay, Managing Director, Cloths 'R' Us, a buying house. Garment workers in Bangladesh are also affected by the way apparel sourcing takes place. Hence, the country needs new initiatives to reduce the industry's impact on environment.

Source: fashionatingworld.com – May 18, 2022

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ASEAN remains China's largest trade partner in 2022

Latest customs statistics indicate, 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. It is followed by the European Union (EU) and the United States ranking second and third respectively

From January-April this year, the China-ASEAN trade totaled increased by 7.2 per cent Y-o-Y to 1.84 trillion yuan ($274.5 billion).

In Q1FY22, China's trade with ASEAN increased by 8.4 per cent Y-o-Y to 1.35 trillion yuan and accounted 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.

Source: fashionatingworld.com – May 18, 2022

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Bangladesh's RMG makers concerned over proposal to raise power tariff

The Bangladesh Energy Regulatory Commission (BERC) today held a public hearing on a proposal to raise bulk electricity tariff in response to an appeal by the state-run Bangladesh Power Development Board (BPDB). Textile and apparel industry owners have expressed concern over the public hearing on the proposed 65.95 per cent bulk electricity price hike.

The worry is that the power tariff price hike amid an economic crisis would put industrial units under added pressure and such a decision would not be judicious.

In a statement, the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI) said the electricity price hike in the current context would be considered a ‘suicidal move’ by the government.

"Bulk electricity price hike will have a multifaceted negative effect on the agriculture, service and manufacturing sectors. Even the ongoing trend of economic development will also be severely affected," it read.

The trade body requested the government not to accept the proposal to increase the price of electricity.

The BPDB had urged the energy regulator to set the bulk power tariff at Tk8.58 instead of the existing Tk5.17 per kilowatt-hour.

BPDB claims it will incur a loss of Tk30,251 crore in this fiscal if the bulk tariff is not raised.

Attributing its financial losses to increasing fuel cost and other soaring expenses, it said the production cost of electricity has gone up to Tk4.24 per unit in 2022 from Tk2.13 in fiscal 2019-20, according to Bangladeshi media reports.

Any rise in bulk tariff will be applicable to the power distribution companies as they are the bulk consumers.

All state-owned power distribution companies have already submitted their respective proposals to the BERC to raise power rates at the retail level.

Source: fibre2fashion.com– May 18, 2022

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Bangladesh taka devaluates steeply against USD

The taka recently devaluated steeply against the US dollar as soaring import payments have created an acute shortage of the greenback in Bangladesh's banking sector. The latest devaluation came when the Bangladesh Bank depreciated the inter-bank exchange rate by Tk 0.80 to Tk 87.5 per US dollar. The bank has depreciated the taka five times this year so far.

The exchange rate stood at Tk 85.8 per dollar on December 30 and Tk 84.8 per dollar on May 16 last year, according to statistics from the bank.

The banking regulator has also increased the bills for collection selling rate by Tk 0.85 to Tk 87.6 per dollar and banks are supposed to follow the rate while selling dollars to importers.

The central bank has been frequently urged by economists to depreciate the local currency by Tk 5-6 per dollar immediately.

The shortage of the greenback has already created instability in the foreign exchange regime, which is why the country's central bank is now trying to restore discipline in the market by depreciating the local currency, a top English-language daily in the country reported citing a bank official.

Banks are charging more than Tk 95 for every US dollar from importers. Bankers blame the rising import payments for the ongoing volatility in the foreign exchange regime.

Source: fibre2fashion.com– May 18, 2022

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EU economy grows in Q1 2022, pace slightly slower than Q4 2021

The European Union (EU) economy continued to grow in the first quarter (Q1) this year, but at a slightly slower pace compared with the previous quarter. The Russia-Ukraine war is weighing on Europe's economy, worsening supply bottlenecks, pushing up consumer prices and weakening business and consumer confidence, according to the May edition of European Statistical Recovery Dashboard.

Eurostat released the latest edition of the interactive dashboard recently. In March 2022, industrial production and retail trade dropped but remained above their pre-pandemic levels. Inflation showed signs of a further rise, but at a slower pace, across EU member states in April this year.

EU economic sentiment fell for the second month in a row in April 2022, dropping below its pre-pandemic level. This decline was driven by worsening confidence in industry, retail trade, construction and among consumers, while the confidence indicator remained unchanged in services, EU statistical office Eurostat said in a press release.

According to a new environmental indicator in the dashboard, EU greenhouse gas emissions stood at 2.33 tonnes per capita in Q4 2021—3.6 per cent up compared with the same quarter in 2019.

Source: fibre2fashion.com– May 19, 2022

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Nigeria's NTMA seeks government intervention to salvage ailing textile sector

The Nigerian Textile Manufacturers Association (NTMA) has sought urgent government intervention to salvage the ailing textile sector. It revealed, the sector has already lost over 117,000 jobs in the past 26 years and could lose more if the government does not intervene.

Folorunsho Daniyan, President, NTMA says, the Nigeria textile industry once used to be the highest employer in the country. In the 80's it employed 500,000 workers which reduced to 137,000 workers in 1996, 24,000 workers in 2008. Today, it employs less than 20,000 workers. Daniyan further states, earlier directed to West and Central Africa, Nigerian textile exports reached their lowest ebb in 2006. However, they recovered in 2007 and 2008. Today, the country's textile have reached zero. He attributes this decline to the loss of preferential market access in the EU and US, inconsistent implementation of Export Expansion Grant policy, particularly a perennial backlog of EEG claims, and the inconsistencies in the implementation of ECOWAS Trade Liberalization Scheme.

Source: fashionatingworld.com– May 18, 2022

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NATIONAL NEWS

PM's Economic Advisory Council bats for universal basic income, urban job guarantee scheme

A report commissioned by the Economic Advisory Council (EAC) to the Prime Minister on Wednesday suggested that the government roll out a universal basic income (UBI) scheme to reduce stark income gaps and launch a guaranteed employment programme for the urban unemployed. Stating that the heavily skewed nature of income distribution in the country is only turning worse, the council also recommended steps to raise minimum income and a higher share of government spending on the social sector to make the vulnerable sections of population immune to sudden shocks and "stop their descent into poverty".

The report titled "The State of Inequality in India", prepared by the Gurgaon-based Institute for Competitiveness, was released by EAC chairman Bibek Debroy.

Citing the results of the three rounds of Periodic Labour Force Survey (PLFS), the council noted that in the three years to 2019-20, the top 1% of the population held 6-7% the total incomes earned, while the top 10% held a third. To be precise, the share of the top 1% of the population in the country's total income increased over the three years to 2019-20 — from 6.14% to 6.82%.

Of course, the pandemic then led to a decline in national income in 2020-21. Given increased pace of formalisation of the economy during the last two years, many analysts reckon the income gap may have widened since 2019-20.

According to the report, though there was a marginal decline in the income share of the top 10% to 32.52% in 2019-20 from 35.18% in 2017-18, this hasn't resulted in increased salaries of the bottom-most population. "...The top 1% grew by almost 15% between 2017-18 to 2019-20, whereas the bottom 10% registered a close to 1% fall (in their income share)," it added.

The report, though very grim, paints a relatively better picture of the country's income pyramid than in the World Inequality Report (WIR)

2022 released in December last year. According to the WIR, India stood as a "poor and very unequal country, with an affluent elite", where, in 2021, the top 10% of the population had 57% of the total national income and the top 1% held 22%. The bottom half of the population held just 13% of the national income in 2021, it said.

Interestingly, the EAC's call for the UBI scheme revived a long-unsettled debate in India on how best to address growing income inequality. The idea got a fresh lease of life after former chief economic advisor Arvind Subramanian had endorsed it in the Economic Survey for FY17 in place of subsidy transfer. The Survey had assumed a quasi-universality rate of 75% (of all beneficiaries). Subramanian had calculated the economic cost of the UBI at 4.9% of GDP.

However, later that year, finance minister Arun Jaitley said while he was supportive of the idea, it might not be politically feasible in India. "We will be landing in a situation where people will stand up in Parliament and demand continuation of the present subsidies and over and above that (UBI)...," Jaitley had said.

Later, the International Monetary Fund in October 2017, endorsed the idea of India launching a fiscally neutral universal basic income by eliminating both food and fuel subsidies that could cost 3% of gross domestic product (GDP) or Rs 5.6 trillion. In January 2019, then Congress president Rahul Gandhi had pledged to roll out a UBI if his party is voted to power.

India's budgetted expenditure on social services has risen over the years — from 6.2% in FY15 to 26.6% in FY22 (as per Budget estimate). However, there has been a decline in expenditure on social services in education (from 10.8% to 9.7%) during this period but healthcare spending has risen from 4.5% to 6.6% of budgetted expenditure.

The latest report called for raising minimum income and ensuring better distribution of earnings in the labour market.

"Looking at the difference between the labour force participation rate in rural and urban areas, it is our understanding that the urban equivalent of schemes like MGNREGS that are demand-based and offer guaranteed employment should be introduced so that the surplus-labour is rehabilitated," it said.

The report commissioned by EAC highlighted the grave joblessness in the country but noted a marginal decline in unemployment rate and a gradual improvement in labour force participation rate (LFPR) in the three years to 2019-20. Relying on the PLFS, the report said LFPR for 15 years and above for the educated workforce (secondary and above) – which stood at 48.8% in 2017-18 and 2018-19 — increased to 51.5% in 2019-20. The country's unemployment rate was 4.8% in 2019-20, it noted.

However, according to the CMIE data, which is not strictly comparable with the PLFS outcome, the unemployment rate dropped from as high as 11.84% during the peak of the second Covid wave in May 2021 to 6.56% in January 2022. It again shot up to 8.11% in February after the Omicron onslaught, before easing to 7.57% in March, but inched up to 7.83% in June.

Source: financialexpress.com– May 19, 2022

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India traders should fulfill local cotton, yarn demand before exports: Piyush Goyal

Indian traders and spinning mills should first meet demand from the local textile industry and only then export surplus raw cotton and yarn, Textile Minister Piyush Goyal told industry officials in a meeting. The minister's comments came after textile mills in the southern state of Tamil Nadu, a leading exporter of garments, went on a two-day strike earlier this week demanding a ban on exports.

US cotton futures prices jumped to an 11-year high earlier this month, and Indian cotton and yarn prices soon followed.

The spinning and trading community (should) ensure hassle free supply of cotton and yarn first to the domestic industry and only surplus cotton and yarn should be diverted for exports," Goyal said. Exports should not be at the cost of domestic textile industry, the largest employment generator in the country, he said.

India is the world's largest producer of cotton, with Bangaldesh, Vietnam and China its biggest buyers.

Goyal asked all stakeholders to resolve cotton and yarn price issues through collaboration rather than competition, without pushing the government to intervene as it may have long term impact on the cotton value chain. The government has decided to form the Cotton Council of India with representatives from textile, finance, agriculture and commerce ministry. The council will hold its first meeting on May 28.

India banned wheat exports on Saturday days after saying it was targeting record shipments this year, as a scorching heat wave curtailed output and domestic prices hit a record high.

Source: timesofindia.indiatimes.com– May 18, 2022

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Minister of Commerce assures continued government support in developingstatrup ecosystem

The Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Piyush Goyal yesterday chaired the 4th meeting of National Startup Advisory Council (NSAC) in New Delhi. Speaking on the occasion, the Minister assured continued government support in developing statrup ecosystem.

He appreciated the work done by NSAC members and urged them to focus on tier 2 and tier 3 cities where limited VC funding is available. He also emphasized on the need for capacity building and generating awareness about various initiatives of the government to promote startups in such cities. Members of the council have also been visiting states and interacting with startup entrepreneurs and students in educational institutions to understand and find ways to energize the startup ecosystem.

Source: Business Standard .com– May 19, 2022

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Government to approve textile parks under MITRA shortly: State Textile Minister

The Indian government will shortly approve textile parks under the PM Mega Integrated Textile Region and Apparel (MITRA) parks scheme, said DarshanaJardosh, Minister of State for Textiles during the inauguration session of GartexTexprocess trade fair in MumbaI.

Jardosh said that seven states have shown interest to set up 13 parks under the scheme in the country. Deliberation is going on with the states which will have 51 per cent stake in the proposed textile parks. The parks will be approved with the consideration of industry's requirement for future growth. It will ensure better ecosystem for the industry at various hubs in the country.

The Production Linked incentive (PLI) scheme succeeded in attracting an investment of around Rs10,600 in textile sector. However, many products were left out under the scheme, added Jardosh. She urged the Indian textile industry to diversify its raw material consumption as it is more dependent on cotton, while around 75 per cent MM fibre is used globally.

Source: fashionatingworld.com– May 18, 2022

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Garment industry braces for tough times as cotton price rockets, demand for export ban is nixed

India's garment industry expects tough times ahead in the financial year 2023 despite Textile Minister Piyush Goyal's remarks that only surplus cotton should be exported after the needs of local traders and spinning mills are met.

The minister made the comment at a meeting with the industry stakeholders on May 17. With cotton prices more than doubling in a year, the garment industry wanted a short-term ban on the export of cotton and yarn, a declaration of cotton as an essential commodity, and removal of the material from trading at commodity exchanges.

The minister did not accept the demand for a ban on exports but provided some relief by extending the import duty exemption for bills of lading until September 20, 2022. He formed the Cotton Council of India comprising various stakeholders to discuss the problems of the sector. It will hold its first meeting on May 28.

The problem started with a shortfall in the cotton crop due to irregular rains and a decrease in the cultivation area in the major cotton-producing states of Maharashtra and Gujarat.

"There has been a reduction of around 10 lakh hectares in the cotton year (October-September) of 2021-22 from 132 lakh hectares of the previous year (with farmers) discouraged by the lower prices. Irregular rains further contributed to the drop in production," said Sanjay Kumar Panigrahi, chief general manager of Cotton Corporation of India.

Production estimate cut

In its latest assessment this month, the Cotton Association of India (CAI) reduced its production estimate for the 2021-22 season to 323.63 lakh bales of 170 kg each from its previous estimate of 335.13 lakh bales. Production last year was over 352 lakh bales.

The CAI has cut its consumption estimate for the current crop year to 320 lakh bales as against its previous consumption estimate of 340 lakh bales. The previous year's consumption estimate was 335 lakh bales. It has also slashed its cotton export estimate to 40 lakh bales from its previous estimate of 45 lakh bales although at one time it looked like going much above that.

The crop decline along with increased demand by local mills and for exports has sent the prices skyrocketing by over 100%. From Rs 48,000 per candy of 356 kg, the prices have escalated to around Rs 100,000 per candy. The prices of yarn spun out of cotton have jumped by over Rs 100 from last October to reach around Rs 425 to 450 per kg.

Export impact

Exports of yarn and cotton have further worsened the situation by curtailing the supply for domestic producers.

"Cotton yarn export was around $5 billion in FY22 compared to $2 billion in the previous year. Much of it goes to our competing countries such as Bangladesh and Vietnam. There is also a fair amount of hoarding taking place in the yarn sector for better prices,'' said A Sakthivel, southern region chairman of the Apparel Export Promotion Council.

Readymade garment exports increased by 30% to $16 billion in FY22 over the previous year following the revival of the market after COVID-19. The year 2020-21 had seen exports plunge by 21% to $12.28 billion due to the pandemic's impact. But FY22 performance was better than the $15.5 billion shipped out in 2019-20, according to the Apparel Export Promotion Council.

Higher exports did not benefit the industry much because of the spiralling prices of inputs. "There was a 30 to 40 % increase in the prices of inputs including yarn and dyes and chemicals. Even the carton boxes used to ship the garments became expensive by over 150%," said Raja Shanmugham, a leading exporter and chairman of Tiruppur Exporters Association.

More relief sought

Tiruppur, one of the largest knitwear garments exporting clusters in the country, shipped materials worth Rs 34,000 crore in FY 22 compared to Rs 24,500 crore a year ago. "But our margin was hit because of a rise in raw material prices. The current year is not much different with high prices continuing. Since this sector is labour-intensive, we have requested additional 20% export credit facilities apart from the 30% given after the outbreak of COVID-19. The hospitality and medical sectors have been given 50% additional credit," Shanmugham said.

Given the situation, the industry is thinking in terms of requesting an extension of the import duty exemption. "The exemption may have to be extended till December so as to give further relief to the industry," said Ajay K Singla, secretary general of the Garment Exporters and Manufacturers Association.

Competing countries like Bangladesh and Vietnam are in an advantageous position because they have a free trade agreement with the European Union while India has to pay a duty of 9.6%. Besides, they employ cheap labour and have lower compliance with environmental stipulations.
"Around 45% of our export goes to EU while the US absorbs 35%," Shanmugham said.

Source: moneycontrol.com– May 18, 2022

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Cotton imports: Textiles ministry wants more relief

The textiles ministry has asked the revenue department to remove duty on cotton imports that reach Indian shores by September 30.

But the "ministry has not suggested any ban or restrictions on the export of cotton as of now", said an official.

Another official said the commerce and industry ministry has also not received any request on export curbs.

Cotton prices have crossed ₹1 lakh per candy from ₹55,000 two quarters ago, pushing up input costs for textile and garment manufacturers.

The government has already done away with 11% import duty on cotton till Sept 30, but another flexibility for imports is being considered, as per which inbound shipment will be permitted duty-free if the bill of lading is issued up to Sept 30 this year and not based on the bill of entry at Indian ports.

Other issues that also came up at a meeting that textiles and commerce and industry minister Piyush Goyal had with the textile industry on Tuesday were flexibility in import of cotton, export incentives and allocation of more yarn for the domestic market.

Source: economictimes.indiatimes.com– May 19, 2022

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S&P lowers India growth projection to 7.3% for FY23

With rising inflation and the longer-than-expected Russia-Ukraine conflict, S&P Global Ratings on Wednesday lowered India's growth projection for the current fiscal year to 7.3% from 7.8% estimated earlier. In December 2021, S&P had pegged India's GDP growth for FY23 at 7.8%. For the next fiscal, the growth has been pegged at 6.5%. The Indian economy is estimated to clock a GDP growth of 8.9% for FY22.

"The risks to our forecasts have picked up since our last forecast round and remain firmly on the downside. The Russia-Ukraine conflict is more likely to drag on and escalate than end earlier and deescalate, in our view, pushing the risks to the downside," S&P said in its Global Macro Update to Growth Forecasts.

S&P has pegged CPI or retail inflation in the current fiscal year at 6.9%. It said inflation remaining higher for long is a worry, which requires central banks to raise rates more than what is currently priced in, risking a harder landing, including a larger hit to output and employment.

In April, the World Bank slashed India's GDP forecast for FY23 to 8% from 8.7% predicted earlier, while the International Monetary Fund (IMF) has cut the projections to 8.2% from 9%.

The Asian Development Bank (ADB) has projected India's growth at 7.5%, while the Reserve Bank of India has cut its forecast to 7.2% last month from 7.8%, amid volatile crude oil prices and supply chain disruptions due to the ongoing Russia-Ukraine war.

Source: financialexpress.com– May 19, 2022

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MSMEs: Back to the grind, but not out of the woods

The Covid-19 pandemic and the protracted lockdown severely affected India's 6.3 crore micro, small and medium enterprises (MSMEs). The government of India (GoI) announced several support measures like credit guarantee schemes, loan restructuring measures, moratorium and deferment of interest payments on borrowings, and a few others under the broad umbrella of Atmanirbhar Bharat initiatives to help the sector come out of the woods. Did such policies have any positive impact on the sector's revival prospects?

A recent Assocham-Crisil report titled MSMEs back to the grind suggests so, based on the following. First, the sector will likely see a pro-cyclical growth in revenue of around 15-17% in FY22 and between 11-13% in the ongoing fiscal. Some green shoots of recovery are emerging in construction, exports, commodities and consumption services as the normalcy of economic activities in these sectors are restored.

Second, MSME-lending by banks and non-banking finance companies (NBFCs) is exhibiting steady year-on-year (y-o-y) growth, 7% in FY21 and an expected 7-9% in FY22, implying an uptick in borrowings and investments by MSMEs. The rising digitalisation of the sector has aided access to financial services provided by new-age fintech firms.

Third, export-linked MSMEs continue to exhibit steady growth in this fiscal, as global companies increasingly adopt a China+1 strategy, in a bid to diversify their supply chains. Sectors such as healthcare, chemicals, ceramics, dyes and pigments are posting strong recovery due to such de-risking (from China) strategy.

Does all this mean that MSMEs are out of the woods? Not really.

The projected revenue growth in FY22 is on the back of a negative 10% growth in FY21, implying a low base effect more than anything else. Besides, an earlier survey across a random sample pool of 1,029 MSMEs across the country revealed that over 50% of the surveyed MSMEs witnessed an erosion of more than a quarter of their revenues in FY21. Nearly two-thirds reported a decline in profitability due to lower revenues and escalating costs. Further, as per the MSME ministry's own admission in Parliament, the number of MSME closures increased nearly 17x—from

330 Udyam-registered entities in FY21 to 5,577 entities in FY22—clearly indicating the prevailing distress in the sector.

Similarly, the recent trend of a rise in credit uptake needs to be weighed against the fact that there has been an alarming rise in loan delinquency and NPAs of MSMEs. MSME NPAs have increased from 8.6% in FY19 to 12.5% in FY21, and are predicted to stay around the same level in the current fiscal. Worryingly, the rise in NPAs has been despite the Reserve Bank of India's (RBI's) four MSME-loan-restructuring schemes announced between January 2019 and May 2021. Besides, the sector remains grossly under-served despite a rise in borrowings. Latest estimates suggest that while the credit demand of MSMEs is around $500 billion, the supply from formal sources remains below $200 billion, implying that the credit gap is substantial.

The conflicting signals underscore the need for a more careful and nuanced interpretation of the recent numbers and a realistic assessment of the ground situation. Else, misplaced and premature optimism may undesirably divert policy attention from issues that continue to hinder MSMEs' revival in the aftermath of the pandemic. The wounds inflicted by the pandemic (and the prolonged lockdown) on MSMEs are indeed deep and painful, suggesting the need for continued and targeted public policy interventions.

First, the government should focus on lowering the business costs for MSMEs, an urgent imperative given the state of high wholesale and retail inflation and the rising cost of borrowings in India. The concessional corporate tax rate of 15%, applicable for newly incorporated manufacturing units, should be extended to all MSMEs for at least the next 2-3 years. Lowering GST rates and customs duty on raw materials can also decrease overall costs, helping MSMEs stay afloat in such a challenging business environment.

Second, recommendations of the Parliamentary Standing Committee on Industry to extend the loan repayment period for MSMEs under ECLGS to 7-8 years, and at least a two-year moratorium period on the principal amount should be accepted without delay. Such steps can provide the much-needed cushion against the slew of onslaughts inflicted by the pandemic.

Third, there is an urgent need to devise MSME-specific, export-linked insurance products. If India plans to catapult itself as an alternative to China in newly emerging global and regional value chains, the government needs to facilitate export credit insurance to the export-linked MSMEs to cushion them from global uncertainties and macroeconomic shocks. The government should also mandate time-bound approval of insurance cover and claims given inordinate delays hurt businesses, especially in today's challenging business environment.

Finally, only about 14% of total MSMEs are registered on the MSME digital registration portal—Udyam. Onboarding the remaining 86% of an estimated 6.33 crore MSMEs should be carried out in a mission mode. This is because most government support schemes, aimed at fulfilling the operational liabilities of MSMEs through low-cost credit, such as the Emergency Credit Line Guarantee Scheme (ECLGS) and the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme, are available to registered entities only. Further, onboarding onto Udyam can also help MSMEs take advantage of the Samaadhan portal, a delayed payment redressal platform, in a more streamlined and timely manner. Latest estimates suggest that approximately Rs 10.7 lakh crore (amounting to 6% of India's GVA for FY21) is stuck as delayed payments to MSMEs, severely constraining their working capital needs.

India's economic revival from the prolonged pandemic-induced slump critically hinges on the performance of the MSMEs, which represent 90% of the country's enterprises, employ 60% of the workforce, and account for 49% of total exports and about 30% of India's GDP. While MSMEs are back to the grind, they are not out of the woods yet. The government needs to enact necessary reforms and policies to ensure that the growth and vitality of the sector are restored at the earliest.

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