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INTERNATIONAL NEWS

China-S Korea trade exceeds $360 bn; 2-way investment crosses $100 bn

China-South Korea bilateral trade has exceeded $360 billion, according to the Chinese ministry of commerce, whose spokesperson Shu Jueting recently said the cumulative two-way investment between the two countries has exceeded $100 billion. He attributed the development to the rapid growth in economic and trade ties between the two countries.

The Regional Comprehensive Economic Partnership, which came into force early this year, has offered a broader space to both the countries to deepen economic, trade and investment cooperation, Shu was quoted as saying by state-controlled media.

China is ready to work with South Korea to deepen bilateral trade and investment cooperation and expand new areas for cooperation to benefit the two countries and its people, said Shu.

Source: fibre2fashion.com– May 21, 2022

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China urges BRICS nations for consensus to tackle global challenges

In the face of new global challenges, BRICS countries should be in line with the world trend, build consensus, strengthen confidence and make efforts to tackle global changes, according to China's state councilor and foreign minister Wang Yi, who recently said all parties should seek strength through unity and further demonstrate openness and inclusiveness.

He made the remarks while chairing a meeting of the BRICS Ministers of Foreign Affairs via videoconference.

Noting that the meeting is an important platform for BRICS political and security cooperation, Wang said BRICS countries should seek common security together, work for common development, strive to build a firewall for human health, and advocate a global governance philosophy of extensive consultation, joint contribution and shared benefits.

All parties should further strengthen strategic communication and coordination and political mutual trust, and deepen mutually beneficial cooperation in various fields, he was quoted as saying by an official news agency.

South African minister of international relations and cooperation Naledi Pandor, Brazilian foreign minister Carlos Franca, Russian foreign minister Sergey Lavrov and Indian external affairs minister Subrahmanyam Jaishankar attended the meeting.

All sides agreed to fully implement the UN 2030 Agenda for Sustainable Development, better benefit the people of developing countries and promote the building of a community with a shared future for mankind. The ministers supported advancing the process of BRICS expansion and indicated that further discussions would be held on this issue. They also exchanged views on matters related to Ukraine and Afghanistan.

Source: fibre2fashion.com– May 20, 2022

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Future eurozone inflation likely to be persistently higher: IHS Markit

What was viewed initially by central banks as a transitory pick-up in inflation has turned into something much more worrisome, according to IHS Markit, which recently said Eurozone inflation is likely to be persistently higher in future. Reasons include waning effects of global disinflationary forces; over-stimulative policy and constraints on tightening,

Other reasons are rising inflation expectations; climate change and energy transition; and waning global forces.

A scenario of unmoored inflation expectations and wage-price spirals is less probable, though the risks need close monitoring, particularly in other parts of Europe, Ken Wattret, vice president, economics, IHS Markit said in a release.

While extreme events such as the COVID-19 pandemic and Russia's invasion of Ukraine have been fundamental to the short-term surge in goods inflation rates, they are also likely to reinforce the longer-term trend away from many of the disinflationary forces which held it down in the past.

Global trade as a share of gross domestic product (GDP) peaked back in 2008 and more recently, the 'trade wars' from 2018 and the subsequent extreme disruptions caused by the pandemic and the Russia-Ukraine conflict suggest security of supply chains is likely to take priority over competitive pricing for key products. The attraction of outsourcing is also diminishing for various reasons, he said.

If a central bank is credible in its commitment to maintaining price stability, longer-term inflation expectations should remain well anchored, preventing wage and price-setting behaviour being subject to inflationary fears.

However, there have been signs recently that inflation expectations might be becoming less well anchored and there may be constraints (e.g., political pressures, recession risks, declining asset prices) on how far central banks are willing to go to keep them in check.

While the recent pick-up has been most apparent in shorter-term, consumer-based measures of inflation expectations, this is still relevant as they can influence wage bargaining, IHS Markit said. While the signals from longer-term inflation expectations have been more comforting, there too some warning signs are flashing.

Although surveys of forecasters' expectations appear well anchored still, they typically do not deviate far from central bank inflation targets. In contrast, market-derived measures have picked up markedly since 2020 in some cases, though the trends are not uniform.

Global warming is associated with a greater incidence of damaging climatic events, which may impact specific prices, notably for food. The transition to a net zero carbon emission world implies sharp increases in the price of carbon, in turn affecting consumer prices directly through higher energy prices, and indirectly through increased costs of production.

Higher prices for the commodities are essential to the deployment of ‘green technologies’, London-based IHS Markit added.

Source: fibre2fashion.com– May 20, 2022

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EU to be world leader in sustainable textiles: Euratex report

EU's trade deficit increased in 2021 as textile and clothing exports increased 10.6 per cent while imports declined -7.5 per cent. As per the Spring report by Euratex, import prices of EU clothing and textile declined during the year due to a drop in import prices of Chinese face masks and protective medical clothing.

Increased EU textile and clothing exports during the year could be attributed to a strong performance in Swiss, Chinese and US markets.

On the other hand, sales in the United Kingdom declined 23 per cent, due to new Brexit rules, customs clearance delays and labor shortage. EU reduced its imports from China by 28 per cent to €13 billion during the year.

It also reduced textile and clothing imports from the United Kingdom by 48 per cent to €-3 billion. Dirk Vantyghem, Director General, Euratex says, the EU aims to be world leader in sustainable textiles despite rising energy prices.

Embed international trade in growth strategy

To achieve this, the European Union needs to embed international trade in its Strategy for Sustainable and Circular Textiles. It needs to ensure all products introduced in the market are durable, free of hazardous substances, produced respecting social standards.

It also needs to upscale market surveillance without disrupting the supply chains. Condemning Russian aggression in Ukraine, Vantyghem says, Ukraine offers valuable sourcing opportunities for European textile and apparel brands besides supporting its nearshoring trend.

A pillar of local economy

With around 154,000 companies employing 1.47 million workers, the textile and clothing industry is an essential pillar of local economy in the EU. The industry has completed several high added value projects in growing markets around the world.

These projects were completed in collaboration with the Euratex, the voice of the textile and clothing industry in the region, which focuses on effective research, innovation and skills development, free and fair trade, and sustainable supply chains.

Source: fashionatingworld.com– May 19, 2022

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USA: CEOs Worry About 'Bleak' Future: Week Ahead

As consumers worry about inflation eating away at their spending power, CEO confidence fell in the second quarter for the fourth consecutive decline.

Geopolitics tensions, supply chain issues, inflation and even fears of a recession leave chief executives with no shortage of concerns, according to The Conference Board Measure of CEO Confidence in collaboration with The Business Council, a forum for CEOs of the world's largest multinational corporations across all industry sectors.

The measure now stands at 42, down from 57 in the first quarter. A reading below 50 points reflects more negative than positive responses. The measure reached a high of 82 in the second quarter of 2021. That's about the time when U.S. local economies began opening up and retailers and companies were met with an unprecedented level of demand as consumers went shopping after a year of sheltering in place.

"CEO confidence weakened further in the second quarter, as executives contended with rising prices and supply chain challenges, which the war in Ukraine and renewed Covid restrictions in China exacerbated," Dana M. Peterson, The Conference Board's chief economist, said. "Expectations for future conditions were also bleak, with 60 percent of executives anticipating the economy will worsen over the next six months—a marked rise from the 23 percent who held that view last quarter."

The CEOs were surveyed about their expectations for the economy, as well challenges they are facing.

Fifty-eight percent said geopolitical tensions will likely divide global power into Western-democratic bloc and China-Russian sphere over the next five to 10 years. Thirty-six percent said the biggest challenge they face from economic sanctions against Russia for invading Ukraine are input shortages and supply chain issues, although 25 percent don't foresee any significant challenges. And forty-seven percent said they are diversifying their sourcing to avoid future supply chain disruptions, adding that they cannot use solely U.S.-Mexico-Canada (USMCA) sources. However, thirty-five percent said they are not experiencing any significant disruptions.

When it comes to how the CEOs are managing input and labor costs, 54 percent said they were passing along input costs to customers, while 68 percent said they are increasing wages across the board and managing rising labor costs through "different means."

Fifty-seven percent expect inflation will come down over the next few years, but that tinkering with interest rates to tame inflation will cause a "very short, mild recession" called a "reverse soft landing." Twenty percent believe inflation will stay elevated over the next few years and expect U.S. growth will slow significantly to a pattern that many call stagflation. While 12 percent believe inflation will lessen without a recession, or soft landing, another 11 percent said inflation will decline but the U.S. will have a challenging recession.

CEO expectations weakened in terms of both current and future conditions. Sixty-one percent said economic conditions worsened, up from 35 percent in the first quarter. More importantly, 37 percent said conditions in their own industries worsened, up from 22 percent. Looking out six months, 60 percent of CEOs expect economic conditions to get worse, up from 23 percent. In addition, 34 percent said they expect conditions in their own industries to get worse, up from 13 percent.

As concerns over the direction of the economy grows, 63 percent of CEOs now say they plan to expand their workforce, a slip from 66 percent in the first quarter. In addition, only 38 percent expect to increase their capital budget in the year ahead, down from 48 percent in the first quarter.

Walmart, Target and Kohl's all missed Wall Street's expectations largely due to supply chains costs and bottlenecks. Coming up in the weeks ahead will be reports on the state of consumer confidence. The University of Michigan Consumer Sentiment report is due out on Friday, and the more closely watched Conference Board's Consumer Confidence Index is slated for the following Tuesday.

Source: sourcingjournal.com– May 20, 2022

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China's industrial production slows down

The total value added of industrial enterprises in China above a designated size grew by 4 per cent year on year (YoY) in the first four months of this year—2.5 percentage points lower than that of the first quarter. In April, the total value added of such enterprises went down by 2.9 per cent YoY—down by 7.08 per cent month on month (MoM).

The value added of manufacturing went down by 4.6 per cent and the production and supply of electricity, thermal power, gas and water grew by 1.5 per cent. The value added of high-tech manufacturing grew by 4 per cent YoY.

In April, the manufacturing purchasing managers' index stood at 47.4 per cent and the production and operation expectation index was 53.3 per cent.

In the first three months of this year, the total profits made by industrial enterprises above the designated size stood at 1,955.6 billion yuan, up by 8.5 per cent YoY, according to official statistics.

In the first four months, the total retail sales of consumer goods reached 13,814.2 billion yuan, down by 0.2 per cent YoY. Analysed by different areas, retail sales in urban areas reached 11,992.9 billion yuan, down by 0.3 per cent YoY; retail sales in rural areas reached 1,821.3 billion yuan, up by 0.4 per cent.

Retail sales of goods was 12,488.0 billion yuan, up by 0.4 per cent YoY. The sales for goods for basic living went up rapidly.

Online retail sales totalled 3,869.2 billion yuan, up by 3.3 per cent YoY. Specifically, the online retail sales of physical goods were 3,288.7 billion yuan, up by 5.2 per cent, accounting for 23.8 per cent of the total retail sales of consumer goods.

In April, the total retail sales of consumer goods were worth 2,948.3 billion yuan, down by 11.1 per cent YoY, or down by 0.69 per cent MoM. Of this, the retail sales of goods was 2,687.4 billion yuan, down by 9.7 per cent YoY.

In the first four months, the total value of imports and exports of goods was 12,579.9 billion yuan, up by 7.9 per cent YoY. The value of exports was 6,967.4 billion yuan, up by 10.3 per cent, and the value of imports was 5,612.5 billion yuan, up by 5 per cent.

The imports and exports of general trade accounted for 63.6 per cent of the total value of the imports and exports, 1.9 percentage points higher than the same period of the previous year.

The imports and exports by private enterprises accounted for 48.5 per cent of the total imports and exports, 1.4 percentage points higher than the same period of the previous year.

Source: fibre2fashion.com– May 20, 2022

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European fashion textile exports saw encouraging growth in 2021

European exports of textile and clothing items increased by 10.6 percent to 58 billion euros in 2021, according to new data published by Euratex, the European Apparel and Textile Confederation which represents the interests of the European textile and clothing industry at the level of the EU institutions. Imports decreased by 7.5 percent to 106 billion euros.

Purchases of textiles and clothing from China decreased by 28 percent in 2021 but overall textile activity fully recovered from the strong contraction in 2020, with sales of clothing returning to pre-pandemic levels.

Dirk Vantyghem, Director General Euratex, said in the report: "2021 export figures confirm that Euratex members have gained momentum. Even if energy prices are causing serious disturbances in the short term, our long-term ambition remains to be a world leader in the sustainable textile sector."

Euratex also strongly condemned the war in Ukraine, which has seen the Ukrainian textile industry greatly suffer. "Ukraine offers valuable sourcing opportunities for European textile and apparel brands as part of a broader nearshoring trend that appears to emerge from the trade data," the report said.

Source: fashionunited.uk– May 20, 2022

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China Apr retail sales fall by 11.1%, industrial output drops by 2.9%

China's industrial output and consumer spending has fallen to the worst levels since the pandemic began due to the COVID Zero policy and analysts do not foresee a quick recovery. Industrial output unexpectedly dropped by 2.9 per cent in April from a year ago, while retail sales fell by 11.1 per cent in the period, weaker than a projected 6.6 per cent drop.

The unemployment rate rose to 6.1 per cent and the youth jobless rate hit a record. Major cities like Shanghai locked down for several weeks and restrictions in many other places cutting into spending, shutting factories and blocking supply chains, according to a global newswire.

The zero-tolerance approach has evoked criticism from businesses, cultivated public frustration and has put Beijing's ambitious full-year growth target of around 5.5 per cent further out of reach.

Gross domestic product (GDP) declined by 0.68 per cent in April from a year ago, the first contraction since February 2020, according to estimates from Bloomberg Economics. Growth could weaken to below 2 per cent in the second quarter, according to UBS Group AG, while S&P Global Ratings predicted it could be as low as 0.5 per cent.

Disruptions in the country are worsening the global growth outlook and complicating the inflation picture. Supply chain snags have affected companies while export growth slowed last month to the weakest pace since June 2020.

Source: fibre2fashion.com– May 20, 2022

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Ikea to Invest $3 Billion in Global Retail Expansion

Ingka Group, a Netherlands-based holding company that stands as the largest operator of Ikea retail stores, is investing 3 billion euros ($3.2 billion) in new and existing stores by the end of next year.

The investment will be focused on new physical stores, such as the one that opened in Nice, France, on May 11. The company also will revamp existing stores to create a more immersive experience for customers.

“More than ever before, we want to optimize our network of stores in order to cater for an inspiring shopping experience – no matter how or where our customers choose to engage with us,” said Tolga Öncü, retail operations manager for Ingka Group. “With this investment we aim to secure the long-term viability of our business by making Ikea more accessible, more affordable and more sustainable.”

A big part of improving the shopping experience includes allocating more resources to order fulfillment for online shoppers. The company rebuilt the Ikea store in Kuopio, Finland, to better accommodate online order fulfillment, allowing customers to get their orders in half the time and with 40 percent reduced cost of delivery for pick-up parcels.

City stores in downtown Stockholm and Toronto will soon welcome customers with more than 2,000 products for immediate takeaway and larger furniture items available for home delivery. As part of the company’s Canada expansion plan, Ikea will open a new distribution center in Quebec and a planning studio in Montreal.

Ingka is also investing nearly 1.2 billion euros ($1.27 billion) in London, including in the Oxford Street store, new services, and in opening a distribution center in Dartford that will enable home deliveries within 24 hours across the capital. In Madrid, where customers can already shop at three traditional stores, two city stores, or have their orders delivered to their home or new pick-up points, a third city store is in the pipeline.

“Our stores remain one of our biggest strengths, and we will continue to transform them to meet the needs of our customers for generations to come,” Öncü said.

"We see many of our stores playing a dual role, giving our customers the best of both physical and online retailing and the investment will support not only an inspiring in-store IKEA experience but also a faster and more affordable shipping of online orders directly from our stores."

Over the past three fiscal years (2019-2021), Ingka Group invested more than 2.1 billion euros ($2.22 billion) in existing and new stores across its 32 markets.

"Even in our more mature markets, like Germany or Spain, we will continue investing because we still see good potential to expand our business and help even more people create a better everyday life," Öncü said.

Source: sourcingjournal.com– May 20, 2022

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US Cotton Trust Protocol Doubles Grower Participation in Second Year

The U.S. Cotton Trust Protocol announced that grower participation for the 2021-22 crop season doubled since the program's pilot the previous year.

The Trust Protocol has welcomed more than 600 brand, retailer, mill and manufacturer members since its launch in 2020. This includes retailers J.Crew, Gap Inc. and Madewell, and global brands Levi Strauss & Co. and Gildan.

The Trust Protocol's mission is to bring quantifiable and verifiable goals and measurement to the key sustainability metrics of U.S. cotton production. The initiative's vision is to set a new standard in sustainable cotton production where full transparency is a reality and continuous improvement to reduce our environmental footprint is the central goal.

"During our second year we doubled the number of U.S. cotton growers in the program with an estimated 1.1 million cotton acres enrolled," said Dr. Gary Adams, president of the U.S. Cotton Trust Protocol. "Our grower members are global leaders when it comes to sustainable cotton production and as supply chain membership continues to grow, producers are encouraged to join the initiative to help ensure there is enough cotton in the system to meet demand."

The organization noted that virtually all the Top 100 global brands and retailers have created lists of sustainable raw materials and publicly committed that 100 percent of their sourcing will come from these lists over the next five to 10 years. The Trust Protocol was designed to meet and exceed the rigorous criteria for these lists, with core values including a commitment to U.S. cotton's legacy of authenticity, innovation and excellence, environmental stewardship, caring of people, and personal and corporate integrity.

The U.S. Cotton Trust Protocol is aligned with the United Nations Sustainable Development Goals, recognized by Textile Exchange and Forum for the Future, and is part of the Sustainable Apparel Coalition, Cotton 2025 Sustainable Cotton Challenge, Cotton 2040 and Cotton Up initiatives.

Launched in 2020, the U.S. Cotton Trust Protocol is a farm level, science-based program that provides quantifiable, verifiable goals and measurement in six key sustainability metrics as well as article-level supply chain transparency.

The Trust Protocol is overseen by a multistakeholder board of directors comprised of representatives from brands and retailers, civil society and independent sustainability experts, as well as the cotton-growing industry, including growers, ginners, merchants, wholesalers and cooperatives, mills and cottonseed handlers.

Source: sourcingjournal.com– May 20, 2022

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No End to Pressures 'Reshaping Global Supply Chains,' UBS Analyst Says

Last year's supply chain reshuffling resulted in market share changes in Asian economies' trade activity, with exports from Mainland China, Taiwan, Indonesia and Vietnam rebounding to 150 percent of their 2019 pre-Covid levels.

Hong Kong-based UBS economist William Deng expects supply chains will see additional developments this year. More Asian economies are bouncing back from market-share losses in the fourth quarter of 2020 to gains in 2021's fourth quarter, citing India, Indonesia and Malaysia as examples. Hong Kong and Singapore are showing export recoveries as well. In addition, the number of consumer products facing additional U.S. tariffs will continue to move production away from Mainland China to other parts of Asia, with Vietnam one of the early beneficiaries, especially in apparel and footwear.

China's Covid lockdowns, however, hold uncertain implications for regional and global supply chains. Suspended production, a slowdown in goods flows and further supply chain disruptions due to input shortages are ahead for shippers and manufacturers.

Moreover, input shortages for component and raw materials to factories could also impact production among Asian producers because of China's role in the regional supply chain, Deng said. Restrictions limit the Shanghai and Yangtze River Delta, two of most important hubs for China's cross-border trade and logistics. With the lockdowns in place in Shanghai and in other cities, Mainland China's traffic congestion index dropped below the 2020 level, reflecting the significant restraint on the logistics network.

If Covid challenges and restrictions persist, those factors could motivate producers to accelerate their hunt for alternative production bases outside of China—and that would benefit the rest of Asia, Deng said.

UBS has revised down its global economic growth forecasts, particularly in the European economies where the Russia-Ukraine war is taking a toll. At the same time Deng cautioned that as consumers spend more for services over goods, as well as energy price hikes depressing goods consumption, the slowdown in spending would represent a challenge for

Asian economies that have benefited from the demand for consumer goods exports.

“On top of the near-term demand-side shock, the Russia-Ukraine war may also play a role in reshaping global supply chains, which would entail implications for Asia’s production and trade,” Deng said.

Source: sourcingjournal.com– May 20, 2022

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NATIONAL NEWS

Negotiating teams from India, Canada to fine-tune scope of proposed free trade pact next week

Negotiation between India and Canada for a Free Trade Agreement (FTA), which was revived in March this year, is picking up pace with officials preparing for a second round of talks next week to fine-tune the scope and discuss possible timelines for the proposed agreement.

This follows the successful conclusion of the India-Australia free trade pact last month that has lent pace to many of New Delhi's long-pending trade deals.

"While India wants to begin with an 'early harvest' limited deal, Canada wants a more ambitious and comprehensive deal but seems ready to show flexibility," a source tracking the development told BusinessLine.

In March this year, Commerce & Industry Minister Piyush Goyal and his Canadian counterpart Mary Ng decided to re-launch the Comprehensive Economic Partnership Agreement (CEPA) negotiations to bolster trade, investment and further strengthen bilateral relationship. Negotiations for a CEPA were first launched in 2010 but talks fizzled out as both countries were caught up in other negotiations.

With India concluding two free trade pacts, one with the UAE and the other with Australia, in record time, the two sides are hopeful that the re-launched negotiations will see an early conclusion.

"Both sides decided that an interim agreement or Early Progress Trade Agreement (EPTA) could be considered for early conclusion as a transitional step towards the CEPA. Canada is keen on making it as deep as possible with the inclusion of diverse sectors," the source said.

One reason why the India-Australia trade pact could be concluded in record time after negotiations were re-launched last year-end was the fact that India was able to exclude the dairy sector completely and the agriculture sector to a large extent from reduction commitments.

Australia model

"The Canadian side may not want to follow the Australia model as their ambitions are higher. Dairy and agriculture are big for the Canadian economy and excluding the key sectors from an interim agreement may not be easy. Things would be clearer once the negotiations progress. The second round of negotiations next week will throw more light on it,"the source said.

Canada is an important trade partner for India with bilateral trade in goods at $6.29 billion in 2021 registering a growth rate of 12 per cent as compared to the previous year.

"Canada holds a lot of potential for Indian manufacturers. While its overall tariffs are low, India could gain on labour-intensive items such as textiles, chemicals, electronics, footwear and leather as an FTA would eliminate tariffs and bring them on the same footing with competitors such as Vietnam which already have preferential access to the Canadian market," the source said.

The Ministers, at the 5th India-Canada Ministerial Dialogue on Trade & Investment in March, agreed that the EPTA shall include high level commitments in goods, services, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, and dispute settlement, and may also cover any other areas mutually agreed upon.

"Furthermore, Canada and India agreed to promote and protect bilateral investment, including through the intensification of negotiations toward a Bilateral Investment Agreement, while considering options to achieve this goal alongside CEPA," a joint statement issued at conclusion of the meeting pointed out.

Source: thehindubusinessline.com – May 20, 2022

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Shri Piyush Goyal to lead team India at World Economic Forum (WEF) in Davos from 23-25 May 2022

Shri Piyush Goyal, Union Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles will lead the team India at the World Economic Forum (WEF) in Davos from 23-25 May 2022. The Indian Government delegation would include Sh. Mansukhlal Mandaviya, Minister of Health & Family Welfare, Chemicals & Fertilizers, and Sh. Hardeep Singh Puri, Minister for Petroleum & Natural Gas, Housing & Urban Affairs besides Chief Ministers and senior ministers of six states, viz. Madhya Pradesh, Tamil Nadu, Andhra Pradesh, Maharashtra, Karnataka and Telangana along with senior officials. A number of senior industry leaders including Hari S. Bhartiya, Amit Kalyani, Rajan Bharti Mittal, Ronnie Screwvala, Salil S. Parekh would also be participating in the WEF deliberations.

This event would further help reinforce India's position as an important and relevant stakeholder in shaping the global narrative, particularly as India assumes presidency of the G-20 in 2023. The WEF will also be a platform to project India as an attractive investment destination in view of its robust economic growth and stable macroeconomic indicators.

This year coincides with the World Economic Forum's 50th anniversary and 35 years of the Forum's collaboration with India which would provide an opportunity for India to showcase its unified presence including the centre and states. To mark 75 years of Independence and 'Azaadi ka Amrit Mahotsav', DPIIT has taken the initiative to have a consolidated marquee India presence at World Economic Forum, Davos from 22-26 May 2022. Alongside the India Lounge, a State Lounge has also been set up.

In line with the Government of India's priorities, sessions are being organised at the India Lounge keeping in mind India's strategic advantage, existing and upcoming incentive architecture, industry investment potential and market opportunity. The key topics that would be addressed during the sessions include policy and ease of doing business reforms, energy transition, digital economy, opportunities in National Monetization Pipeline, India as an entrepreneurial destination shaping the unicorn story, growing talents in the digital space, emphasis on innovation and research in the healthcare ecosystem.

Ahead of the Davos visit, Sh. Piyush Goyal, held a pre-departure briefing session with the entire India delegation yesterday, comprising of the central and state government ministers and officials as well as representatives from the Indian industry with the view to showcasing a consolidated India presence and adopting a common India-first strategy at the backdrop of India @75 and defining the next 25 years of the India opportunity to the world. The entire Indian delegation responded enthusiastically to Hon'ble Minister's proposal and agreed to put forth a unified front during the Annual Meeting of World Economic Forum at Davos.

Sh. Piyush Goyal, will also be visiting UK on 26-27 May 2022 to hold discussions with UK Government and Businesses on the progress made in FTA negotiations and the way forward. During the Summit Meeting between the the Prime Ministers of India and the UK, the two leaders had set the timeline of Diwali 2022 for finalization of the FTA between the two countries.

Source: pib.gov.in– May 20, 2022

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India gets the highest annual FDI inflow of USD 83.57 billion in FY21-22

India has recorded highest ever annual FDI inflow of USD 83.57 billion in the Financial Year 2021-22. In 2014-2015, FDI inflow in India stood at mere 45.15 USD billion as compared to the highest ever annual FDI inflow of USD 83.57 billion reported during the financial year 2021-22 overtaking last year's FDI by USD 1.60 billion despite military operation in Ukraine and COVID-19 pandemic. India's FDI inflows have increased 20-fold since FY03-04, when the inflows were USD 4.3 billion only.

The details of total FDI inflows reported during the last four financial years are as under:

S. No.	Financial Year	Amount of FDI inflows (in USD billion)
1.	2018-19	62.00
2.	2019-20	74.39
3.	2020-21	81.97
4.	2021-22	83.57

Further, India is rapidly emerging as a preferred country for foreign investments in the manufacturing sector. FDI Equity inflow in Manufacturing Sectors have increased by 76% in FY 2021-22 (USD 21.34 billion) compared to previous FY 2020-21 (USD 12.09 billion).

The following trends in India's Foreign Direct Investment inflow are an endorsement of its status as a preferred investment destination amongst global investors.

It may be noted that FDI inflow has increased by 23% post-Covid (March, 2020 to March 2022: USD 171.84 billion) in comparison to FDI inflow reported pre-Covid (February, 2018 to February, 2020: USD 141.10 billion) in India.

In terms of top investor countries of FDI Equity inflow, 'Singapore' is at the apex with 27%, followed by U.S.A (18%) and Mauritius (16%) for the FY 2021-22.'Computer Software & Hardware' has emerged as the top recipient sector of FDI Equity inflow during FY 2021-22 with around 25% share followed by Services Sector (12%) and Automobile Industry (12%) respectively.

Under the sector `Computer Software & Hardware', the major recipient states of FDI Equity inflow are Karnataka (53%), Delhi (17%) and Maharashtra (17%) during FY 2021-22. Karnataka is the top recipient state with 38% share of the total FDI Equity inflow reported during the FY 2021-22 followed by Maharashtra (26%) and Delhi (14%). Majority of the equity inflow of Karnataka has been reported in the sectors `Computer Software & Hardware' (35%), Automobile Industry (20%) and `Education' (12%) during the FY 2021-22.

The steps taken by the Government during the last eight years have borne fruit as is evident from the ever-increasing volumes of FDI inflow being received into the country, setting new records. The Government reviews the FDI policy on an ongoing basis and makes significant changes from time to time, to ensure that India remains attractive and investor friendly destination.

Government has put in place a liberal and transparent policy for FDI, wherein most of the sectors are open to FDI under the automatic route. To further liberalise and simplify FDI policy for providing Ease of doing business and attract investments, reforms have been undertaken recently across sectors such as Coal Mining, Contract Manufacturing, Digital Media, Single Brand Retail Trading, Civil Aviation, Defence, Insurance and Telecom.

Source: pib.gov.in– May 20, 2022

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Govt weighs second edition of PLI scheme for textiles industry

The government is eyeing the second edition of production-linked incentive (PLI) scheme for textiles and has begun consultations with the industry.

Industry wants inclusion of knitted fabrics in the scheme, besides manmade fibre and technical textiles and a lower investment threshold of Rs 25 crore instead Rs 100 crore now. It also wants the government not to impose any condition to set up a new company for the purpose of investment.

"This was the preliminary round of consultations and it is an evolving situation. Many ideas will come in and we will consider them," said an official, who did not wish to be identified.

PLI 2.0 for the textile sector is being considered as the ministry has an unutilised budget of about Rs 4,000 crore after it approved 64 applications with an investment potential of Rs 19,798 crore and projected turnover of Rs 1.93 lakh crore in the next five yeaRs under the fiRs t phase of the scheme last month.

"We have suggested an expansion of the list of items that are eligible for incentives under PLI such as home textile and made-ups," an industry representative who participated in the consultation held this week told ET on condition of anonymity.

A lower investment threshold is a key demand. In part-1 of the PLI schemes, the minimum investment required is Rs 300 crore and the minimum turnover required to be achieved for incentive is Rs 600 crore while in part-2, the minimum investment should be Rs 100 crore and the minimum turnover is Rs 200 crore.

"They can't cover the same products with revised norms as that will not be fair," said another peRs on who attended the meeting, adding that the labour-intensive cut and sew segment is keen on incentives.

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

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Indian economy likely to grow 8.9% this fiscal, says FM Sitharaman

Adds that it will be the highest among large economies, reflects resilience, speedy recovery

The Indian economy is expected to clock 8.9 per cent GDP growth this fiscal, Finance Minister Nirmala Sitharaman said on Thursday.

Chairing the 7th Annual Meeting of Board of Governors of NDB, a multilateral development bank, through video-conference in New Delhi, Sitharaman said this expected growth will be the highest among all large economies.

This reflects India's strong resilience and speedy recovery, she said. Sitharaman also expressed confidence that India will continue to achieve a high growth rate in the current and next financial years. The meeting was also attended by Governors/Alternate Governors of Brazil, China, Russia, South Africa and the newly joined members Bangladesh and United Arab Emirates (UAE).

Multilateralism, global cooperation

In her statement, Sitharaman underscored the importance of multilateralism and the spirit of global cooperation for economic recovery. She acknowledged that the NDB has successfully established itself as a reliable development partner for emerging market economies.

While acknowledging the NDB's achievements and progress made over the last six years, Sitharaman highlighted that the bank has demonstrated strong results within its core mandate. She also said NDB will play a significant and meaningful role in the development journey of its member countries in the decades to come.

NDB is a multilateral development bank set up by the BRICS countries (Brazil, Russia, India, China, and South Africa) in 2014 with the objective of mobilizing resources for infrastructure and sustainable development projects in the BRICS as well as other EMDCs of the world. The bank was operationalised in 2015, with its headquarters in Shanghai, China.

Last year, NDB has expanded its membership to include four countries namely, Bangladesh, UEA, Egypt and Uruguay. NDB has so far approved 21 projects of India for an amount of $7.1 billion.

Source: thehindubusinessline.com– May 19, 2022

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Indian government lifts price capping on raw jute

The Indian central government, after careful examination of the market dynamics of raw jute trade, has lifted the price cap of ₹6,500 per quintal for TD5 grade of raw jute that was fixed with effect from September last year, on purchase of raw jute by the jute mills and other end users.

Jute Commissioner Office has been collecting the information about the raw jute prices through formal and informal sources and it has found that the present prices are ruling near the capped price. As the existing prices of raw Jute are ruling around ₹6,500, the government of India has taken a dynamic decision to lift the price capping with effect from today, the ministry of textiles said in a media release.

The cap removal is expected to help the farmers, mills and jute MSME sector wherein over 7 lakh people are dependent on the jute trade in addition to about 40 lakh jute farmers. The decreasing trend in prices will also benefit jute goods exports which constitute about 30 per cent of the industry's turnover in value terms.

Source: fibre2fashion.com– May 20, 2022

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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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E-commerce must for MSMEs to grow exports, tap into international markets: Experts

Trade, import and export for MSMEs: Exports through e-commerce has become mandatory to a large extent for MSME exporters looking for an affordable gateway to international markets, according to experts speaking at Financial Express Online's SMExports Summit 2022 on Friday. India crossed $400 billion in exports during the financial year 2021-22 to enhance its share in global trade. This came at a time when crores of MSMEs, which account for nearly half of the country's exports, were continuing to recover from the Covid crisis. This was over and above the traditional complexities in the supply chain, investments, cross-border payments, technology, and demand uncertainty that had arguably limited the export potential of MSMEs.

"If Indian MSMEs won't export, then businesses from other countries will capture the (global) market. The major export challenge any MSME faces is finding the right market out of more than 200 countries in the world. Once that is sorted, it is about how to promote or brand the product. If that gets sorted, the distribution is the major challenge," Rajendra Prasad Sharma, Professor of Marketing, Indian Institute of Foreign Trade said during a panel discussion on accelerating MSMEs' e-commerce exports.

E-commerce exports can help address these challenges and enable MSMEs with access to a much larger base of potential customers without the need for a local physical footprint and dependence on multiple intermediaries such as export trading and management companies. Also, the topline potential of MSMEs goes up apart from another important dimension of business diversification in selling online as enterprises that have been exporting during Covid were able to sustain its impact and even grow the business to some extent, Abhijit Kamra, Director, Global Trade, Amazon India said during the panel discussion as he explained how e-commerce can solve four key export-related challenges in his address:

Market access: As business-to-business (B2B) exports typically involve (participating in) a lot of trade fairs, it needs significant upfront investment to find buyers. So, the first pursuit for Amazon was how to use technology to simplify storefront creation. If you are an Indian exporter, you have access to customers from over 200 countries through Amazon's 16 marketplaces globally, said Kamra highlighting the benefit of e-commerce platforms providing direct digital access to customers. Amazon currently runs its Global Selling programme in India to help businesses export. According to the company, over 70,000 sellers are selling on Amazon's international marketplaces.

Market intelligence: Over the last year, Amazon has created a very large machine learning engine which works on all the data that gets generated (on the marketplace) to give exporters the latest insights on (export) trends to help them make an informed decision on product development, he added.

Logistics: According to Kamra, if an MSME builds its own brand and wants to export products, it is very cumbersome to build a global supply chain. Using Amazon's logistics service, he said, the carrier will take the product from MSME's warehouse and deliver it to customers wherever they are or MSMEs can choose their own warehouses as well.

IP creation: Owning IP can help differentiate products and earn customer trust. As a result, if an MSME feels the cost of manufacturing is increasing, they can pass on that cost with an increased price of the product to their customers. IP attracts better valuation and financial terms, said Kamra. Amazon had last year launched an IP accelerator programme in India to provide its sellers with services from IP law firms for securing trademarks, tackling infringement, etc.

The panel also had two MSMEs: apparel manufacturer and exporter Animesh Saxena who runs Neetee Clothings and Hemali Gada, Founder and Managing Director of Hungry Brain which develops learning material in the form of flashcards for newborns to 3-year-old kids focusing on their sensory, brain stimulation and life skill development. Gada has been selling via Amazon since 2018, albeit there have been challenges around returns for her.

"When the product gets discarded, we need to pay 50 cents per product. It is almost a tough job to have the material back. When we give it to the bank saying that this much material has been discarded or the customer would have returned it and it is not being in the condition to be used, then the Reserve Bank of India (RBI) wants proof of it. Amazon doesn't send us the proof that this is how the product is which they are not keeping because it is unfulfillable. Amazon doesn't send us the proper bill for pick up and drop charges," explained Gada.

On the other hand, Saxena, who has been exporting to the US, Europe and Japan, is yet to onboard e-commerce platforms for exports. In apparel, most businesses have been into contract manufacturing. While Saxena 'half-heartedly' tried digital exports a few years ago, he failed miserably and went back to contract manufacturing until Covid struck and pushed businesses like Neetee Clothings to look at e-commerce. "We were proved wrong. When people started exploring e-commerce, they found a great response. We are regretting giving up that time," said Saxena as he is now preparing for a second attempt at e-commerce. He explained: While there was product depth, a proper manufacturing process along with sourcing and production, it was about the mindset. In a typical B2B enterprise, you have people trained in B2B communication instead of catering to individual customers.

"We are thinking of getting new people who handle customer merchandising. We are also looking to rework the production team because production lines are traditionally meant to produce in bulk and they are not very customised. A person dealing with a customer ordering 10,000 pieces will never do justice to a customer seeking only one piece. This is the biggest learning on the team's part," added Saxena who was also the past President of the MSME body Federation of Indian Micro and Small & Medium Enterprises (FISME).

The association April this year suggested a dedicated policy framework in the government's upcoming Foreign Trade Policy (FTP) for promoting e-commerce exports. The suggestion was part of the inputs shared by FISME to the government to support MSMEs selling goods online. The other key asks to boost e-commerce exports were exempting online sellers from GST registration, simplifying returns in e-commerce exports, and digitising the process of AD code registration (a 14-digit code provided by the bank and required at the port from where customs clear goods).

FISME had also suggested automating the processes related to eBRC (electronic Bank Realisation Certificate for exporters by the bank as payment confirmation from the buyer for goods exported) and eFIRC (electronic Foreign Inward Remittance Certificate that acts as a proof of inward remittance to India) procurement and consolidation.

Source: financialexpress.com– May 20, 2022

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GST Council recommendations not binding on Centre and states: Supreme Court ruling may impact GST provisions

The Supreme Court has ruled that the GST Council recommendations are not binding on the Centre and the states, and are only 'persuasive, in a landmark judgement that may impact the landscape of GST provisions under judicial review. The Parliament and state legislatures possess equal powers to legislate on GST, the Supreme Court said, upholding the judgement of the Gujarat High Court in Ocean Freight matter in the case of Mohit Minerals. It is for the GST Council to suitably advise the Central government and the state governments, the Supreme Court bench led by Justice DY Chandrachud said.

"As the court has gone ahead to categorically hold that the GST Council recommendations have only persuasive value, there will be a pragmatic approach to the provisions which are subject to judicial review by way of challenge to the constitutionality of such provisions based on GST Council recommendations, Abhishek A Rastogi, Partner at Khaitan & Co, added. Rastogi argued for the companies in the Ocean Freight matter in the Mohit Minerals case.

The Supreme Court's judgement clarifies that GST Council is an informal body whose inputs should be taken into account, but it does not have a legislative power and laws have to be legislated by the bodies who are empowered to do so ie the Parliament and the state legislative assemblies, S R Patnaik, Partner & Head – Taxation, Cyril Amarchand Mangaldas said. "The Courts would now have to be more proactive in the judicial review of GST legislation with the Apex Court clarifying that that decisions of the GST Council are not law and they are mere recommendations," Patnaik added.

The Supreme Court on Thursday struck down integrated goods and services tax (IGST) levy on ocean freight. It upheld the Gujarat HC order to quash levy of IGST on ocean freight under reverse charge, dismissing Revenue's special leave petition challenging the Gujarat HC decision that had gone in favour of taxpayers. "The Supreme Court has held that GST on ocean freight paid in case of import of goods is unconstitutional. As a corollary, the Indian importers who had paid such tax will be eligible to refund. Further, those importers who had not paid the tax on import of services will now not be required to pay tax because of this Supreme Court ruling," said Abhishek Rastogi.

The Supreme Court acknowledged that imposing tax on ocean freight is in violation of composite tax, ie, the government cannot dissect the unified import transaction to levy IGST on 'Ocean Freight' on transportation of goods from a place outside India to a place in India, said Himanshu Relan, Partner – Indirect Tax, Nangia & Co LLP.

Source: financialexpress.com– May 19, 2022

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Why is industry in a low growth trap?

Manufacturing works as a growth-engine when its growth is higher than GDP growth. China is an excellent example. During the last 30 years, its high manufacturing growth drove a big jump in per capita income — five times more than India's.

India has undertaken a host of policy initiatives and reforms, besides fiscal and business-friendly measures for accelerating manufacturing growth. These include National Manufacturing Policy 2011 (NMP), Make in India (2014), Startup India (2015), Atmanirbhar Bharat Abhiyan and Production Linked Incentive Scheme (2020), concessional corporate tax, GST, etc.

The NMP and Make in India envisaged annual manufacturing growth of 12-14 per cent and its share in GDP rising from 16 per cent to 25 per cent by 2022. However, the growth in manufacturing IIP index was far below GDP growth during FY 2012-20. Its share in GDP declined to 13 per cent and share in exports declined from 80 per cent to 60 per cent. Persistently, the manufacturing growth and investment remain subpar relative to their potential.

Subdued Investment

The RBI's Report on Currency and Finance, FY 2022 (RCF) discusses the secular stunted capital formation in industrial sector except for a few resource-based industries over the last two decades. The report highlights the declining share of electronics, computers and traditional labour-intensive industries like textiles in aggregate capex. It analyses how the persistent structural constraints result in overall low value addition.

An article ('A new growth formula for manufacturing in India, 2020') by Rajat Dhawan and Suvojoy Sengupta of McKinsey finds that "nearly 700 of the top 1,000 manufacturers produced returns that were less than their cost of capital in 2018, thereby destroying value. By contrast, the sectors that generated healthier returns saw increases in invested capital during the four years from 2016 to 2019".

The decline in invested capital in case of top-listed companies in capital goods, textiles and food industries over FY 2016-19 is pronounced.

All these developments go against the various credible policy reforms and pro-growth measures taken over the years to accelerate the sector's growth.

The stark ground reality is that covert Chinese imports have led to this situation. Unequal and unhealthy competition from massive mis-invoiced/covert Chinese imports has destroyed Indian manufacturing. Surprisingly, this reality is grossly overlooked. Further, the information opacity relating to price, quantity and quality of these covert imports make a project' risk assessment difficult. These imports encourage trading and assembling business at the cost of manufacturing investment.

Chinese Import menace

Steady growth in Chinese imports began since mid-2000s following China's WTO entry and our removal of quantitative restrictions on import of consumer goods. CAGR of officially recorded Chinese imports were 48 per cent over FY 2003-08 and 25 per cent over FY 2003-18. The value of covert imports can be manifold vis-a-vis this value. Even with subdued consumption and GDP growth, disruptions in world trade and strained relations with China, imports from China were at a record level of over $80 billion in FY 2022.

The surge in scale and range of Chinese imports, aided and abetted by unscrupulous means including connivance among exporters, importers, clearing agents and customs, has sapped the performance, vitality and innate potential of the sector. An import-dependent consumption, production and trading structure has evolved, characterised by imports of final products, assemblies and critical components.

These suppress value addition and capex. A study by Chidambaran Iyer, Centre for Development Studies, (bit.ly/3xfZKV3), finds the average value addition by mobile assembling units was 5.4 per cent in FY 2018. Anecdotally, IGST from imports continue to be much higher than CGST. These reflect shallow manufacturing base.

China's predatory approach to trade as seen in dumping, currency manipulation, intellectual property theft, production of counterfeits of global and local brands, wide-range of export incentives and mis-invoicing. Economies of scale and cheap imports create colossal damage and entry barriers for Indian manufacturing. Other visible and invisible costs include industrial sickness, generation of black money, underdevelopment of skill/technology, growing unemployment and loss of tax revenue.

Many of these critical points are documented in the following: the 145th Report of the Parliamentary Standing Committee on Commerce, 2018; the Report of Directorate of Revenue Intelligence (2015) to the Supreme Court-appointed SIT on black money; India: Potential Revenue Losses Associated with Trade Misinvoicing, Global Financial Integrity 2019; Illicit financial flows between China and developing countries in Asia and Africa, George Herbert 2020; Estimates of Trade Mis-invoicing and Their Macroeconomic Outcomes for the Indian Economy 2014, Raghbendra Jha and Duc Nguyen Truong.

Spill-over effects

The number of corporate debt restructuring references spurted from 225 to 622 during FY2010-14, with corresponding aggregate debt spurting from ₹95,815 crore to ₹4,29,989 crore.

Non-oil trade surplus of $6.4 billion in FY 2003 rapidly turned into a massive deficit of $37 billion by FY 2008 and $91 billion in FY 2018. Surge in trade deficit driven by import-intensive consumption leads to lower savings and investment (as percentage of GDP). Savings declined (35 per cent to 28 per cent) and gross capital formation (from 34 per cent to 28 per cent) over FY 2012-22.

The RCF mentions pre-pandemic deterioration in share of manufacturing in gross value addition. The CAGR in manufacturing IIP index was only 0.8 per cent over FY 2018-22. Following demonetisation and Covid waves, disruptions in trade credit (TC) or inter-firm credit and its repayment flows aggravated the manufacturing sector’s woes and contributed to the structural imbalances like excessive system liquidity, low credit demand and surge in corporate liquidity holdback.

Although institutional credit support is abundantly available, given the predominance of TC in financing the input-output chain this lack is not easily addressed. Millions of day to day B2B commercial transactions are impaired by credit repayment fragility. Credit inadequacies impact macro-level output and aggregate credit. The causality runs from disruptions in trade credit network to investment and output vulnerabilities. Additionally, banking sector imbalances also set in.

Way ahead

We need to take well-calibrated action against covert imports without creating sudden and large disruptions in the production structure. Make in India strategy needs to be synchronised with planned phasing out of these imports and spurring domestic capex and capacity. Random, surprise and thorough checks of illicit imports at the ports need to be intensified. More international cooperation is required to curb hawala dealings.

For smooth flows of TC and its repayment, it is necessary to engender trust which can create a sound ecosystem of secured credit-based B2B transactions. In these matters, including self-regulation/self-discipline, industry associations' role is critical and effective. Their reputational weight can work more effectively and efficiently than legal remedies in resolving the dysfunctional TC network.

Source: thehindubusinessline.com– May 19, 2022

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High raw cotton, yarn prices push Gujarat textile industry into turmoil

The textile value chain in Gujarat is cutting production by nearly half and facing the possibility of shutting down units as raw cotton and cotton yarn prices keep rising, despite the Centre's step to remove import duty.

Prices of raw cotton are hovering around `1 lakh to `1.15 lakh per candy. For the past three weeks, yarn makers have not been getting fresh orders due to unprecedented prices, according to Saurin Parikh, president of the Spinners Association of Gujarat. "If prices don't go down, most spinning units will be forced to shut operations. Already, many spinning mills are incurring losses to fulfil customer commitments. Nearly 120 spinning mills in Gujarat are running at a little over 50% capacity at present. We have no option but to hope for the best and prepare for the worst," he said.

Parikh, who is the founder of Pashupati Cotspin, said since weavers and international buyers are not willing to pay the higher prices of cotton yarn, most spinning units are unable to increase prices of end products in proportion with raw cotton rates.

Garment manufacturers in the state, too, are witnessing production cuts of up to 45%. One of the top three garment clusters in the country, situated in Ahmedabad, is witnessing dismal demand.

"It is extremely difficult to run a garment manufacturing unit as prices of fabric have skyrocketed. Most garment makers haven't yet recovered from the pandemic's adverse impact. Now they are facing another huge challenge, of all-time high cotton prices," said Vijay Purohit, president of the Gujarat Garment Manufacturers Association.

More than 90% of the 25,000-odd garment manufacturers across Gujarat are MSMEs, and employ over 20 lakh people. Nearly 15,000 garment makers are in Ahmedabad alone. Some have tie-ups with global brands and export garments all across the world.

According to Purohit, if cotton prices don't come down, many units will close down in a couple of months, causing large-scale loss of employment.

Chintan Thaker, president of Welspun Group, said a ban on raw cotton exports is the need of the hour to put a brake on the bullish run. “Welspun’s two units in Gujarat are operating at 60% capacity. Our international buyers are not willing to absorb increased prices of raw materials. In some cases, we are supplying textile products despite making losses to fulfil prior commitments.”

Ahmedabad-based Chiripal Group has cut production up to 20%, according to senior executive PK Sharma.“Compared to other textile players, we are managing price hikes slightly better due to our diverse business portfolio. However, inflated cotton prices are a cause of concern considering the fact that it is the most important raw material for most of our finished products,” Sharma said. Chiripal Group makes fabric, terry towels, denim and other textile products.

Source: financialexpress.com– May 21, 2022

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RBI allows exporters to settle trade transactions with Sri Lanka in INR

In view of the difficulties being experienced by exporters in receiving export proceeds from Sri Lanka

In view of the difficulties being experienced by exporters in receiving export proceeds from Sri Lanka, the Reserve Bank of India (RBI) has allowed trade transactions with the island country to be settled in Indian Rupees (INR) outside the Asian Clearing Union (ACU) mechanism.

The settlement of transactions in INR is under an arrangement whereby the Indian Government guaranteed a term loan of $1 billion extended by the State Bank of India to Sri Lanka (via a credit facility agreement dated March 17, 2022) for financing purchase of essential goods and services (such as food items, medicines, fuel and industrial raw material).

Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Indian Government and whose purchase may be agreed to be financed by SBI under this agreement.

RBI said the aforementioned instructions come into force with immediate effect. The Credit Facility under the agreement is available for draw-down up to 12 months from the signing Date of Facility Agreement—up to 16th March 2023.

The Asian Clearing Union (ACU) was established with its head-quarters at Tehran, Iran, on December 9, 1974 at the initiative of the United Nations Economic and Social Commission for Asia and Pacific (ESCAP), for promoting regional co-operation.

The main objective of the clearing union is to facilitate payments among member countries for eligible transactions on a multilateral basis, thereby economising on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries. The central banks and the monetary authorities of Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan and Sri Lanka are currently the members of the ACU.

Source: thehindubusinessline.com– May 19, 2022

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Indian denim industry has aggressive growth plans on strong demand

India's denim industry today finds itself in odds due to exorbitant cotton prices, but strong demand is quite supportive for future growth, and leading companies are planning to increase their production capacity to meet the demand. However, the industry is facing stiff competition particularly from China which has advantage of cheaper cotton.

"Price increase in cotton is impacting the entire textile industry including denim segment. However, demand from end users is better along with increasing cost of raw material," Bhuvan S Bundela, head (Product Development) of Oswal Denim told Fibre2Fashion during the Gartex Texprocess trade fair held recently in Mumbai. He said that demand remains strong when raw material prices increase. He added that the government has to strike a balance between the cotton growers and the textile industry.

He expects cotton prices to remain on the higher side as the government may increase Minimum Support Price (MSP) for kapas (unginned cotton) but adds that the time is good for denim industry which can grow at annual growth of 10-20 per cent in next couple of years. He pointed out that the pandemic has changed the market a lot where exclusive retail stores and showrooms are struggling for survival, but big retails chains, malls and e-commerce platforms are flourishing. Therefore, marketing channels are changed drastically.

Gurudas Aras, strategic advisor and independent director at A.T.E. Group, said that after the pandemic, Indian exporters have bagged good orders from foreign buyers, but costlier cotton has put them into trouble. "Today, exporters are reluctant to accept orders due to uncertainty about the prices of raw materials. The government should intervene to stabilise cotton prices. Traders, middlemen and MNCs have built up large stock of cotton. Normally the government has little role in free market economy, but if it can take some steps for the stability of the value chain, it will be welcome steps."

Speaking about sustainability, Aras said the use of natural indigo dyes is the need of time and the industry is aware of its responsibility towards the environment and the earth, but higher cost discourages few people. He expects impressive growth of 5-10 per cent for denim segment in next couple of years. According to him, huge youth population, and popularity of new wears of denim are supporting factors. He said that Indian denim exporters are getting stiff competition from neighbouring countries, particularly from Bangladesh which is performing well in terms of quality, cost and timely shipment of orders. He added that the recent trade agreements will help industry for greater access in global market, particularly Europe Union. Schemes like PLI, MITRA and others will benefit the industry to increase its capacity and sharpen competitiveness in the global market.

Gunjan Mittal, director of Mahak Synthetic Mills Pvt Ltd, said that exorbitant price increase in cotton has dampened demand in the entire value chain. Jeans prices have gone up to around double in last one year, which has squeezed margins. “However, denim market is expected to grow at 5-10 per cent as jeans is attracting more and more people irrespective of age and gender. Our company is planning to add capacity by 10-15 per cent annually to our current production capacity of one crore metre per day.”

Rahul Shah, group managing director of Kanchan Group, said that the cost of raw materials increased due to costlier cotton, but the industry is unable to pass on higher input cost. He said that denim industry is facing stiff competition from China as Indian cotton is very costly compared to the Chinese fibre. However, the industry is doing well in domestic market. He said that the government delayed the removal of import duty on cotton, but now it should remove import duty of 10 per cent on cotton yarn. Shah said that the government should remove import duty on indigo too. “The industry needs to focus on eco-friendly process of dyeing for sustainability. We should reuse water and renewable power.” He said that Kanchan Group is setting up new plants in Ahmedabad as domestic demand for jeans is quite strong. He expected that the denim industry will grow at a very fast pace in next decade as the government’s schemes will yield result in couple of years.

Shanmuha Raja, general manager (Product Development) of Vishal Fabric Ltd, said that denim industry is facing uncertainty regarding cotton prices, so the government should take steps to stabilise the prices. On market front, he said that demand is quite good in denim industry. He added that the customers’ taste is changing so the industry needs to keep itself relevant by making required changes in products. He said that his company will expand production capacity from 85 lakh metre to one crore metre to meet increasing demand.

Aamir Akhtar, chief executive officer of Arvind Ltd, said "We need to find solution to costlier cotton through innovative approach. Denim industry should think to use other fibre to substitute the natural fibre. Government should ban cotton export to stabilise cotton prices." He said that Indian industry produces around 1.6 billion metre denim fabric annually, of which, less than one billion metre fabrics is consumed locally, while the rest production is exported. Arvind Ltd is planning to expand production capacity to meet increasing demand. The company has 80 per cent sales in domestic market and the rest is sold in global market.

Nishant Giri, senior general manager of Jindal Worldwide Ltd, told that demand for denim products jumped up after the pandemic but uncertainty about cotton prices is hampering industry's growth. He too was of the opinion that the government should ban cotton export. On demand side, he said that domestic demand is likely to remain strong as festival season will begin after current marriage season. He said that denim demand is increasing because of higher popularity even among older population. Customers are keen to purchase denim upper wear also in tier-1 and tier-2 cities. But tier-3 cities will be the driver for further growth. He said that his company's domestic to export sales ratio is 70:30.

Speaking to Fibre2Fashion, Subir Mukherjee, business head of Bhaskar Industries, focused on fast transportation facilities in the country which is more needed than any subsidy. For example, if Indian exporters ship consignment to Bangladesh, it takes around one month for transportation through land route. Slow transportation adds cost and worries for the supplier. He said that the government should not give any subsidy, but it should develop dedicated corridor to ensure transportation of a consignment within 5 days.

He said that higher cotton prices are impacting the entire value chain as the industry is facing not only lower supply but also poor quality of cotton. On eco-friendly dyeing process, he said that the industry can contribute by manufacturing jeans and other products which can be used longer. "If such products are made available at reasonable prices, people will buy lesser products. It means the industry will leave less footprint on our environment."

Pankaj Singh, vice president (Marketing) of Ginni International, told that the industry must find out solution to the problem of higher cotton prices. Innovative approach can open the door for man-made yarn. The industry should focus on polyester-cotton yarn for denim segment. Singh said that the production cost increased by around 25 per cent which is hampering growth. "However, we can expect 10 per cent annual growth in demand in next two years." Ginni International is planning to increase production capacity. When asked about any demand from government, he said that GST on textile products should be reduced.

Aditya Goyal, managing director of Anubhav Industries, said that the government should develop better transportation infrastructure. He said that the industry needs to find out a solution to the current high cotton prices, and the use of recycled fibre can be thought of. According to him, the industry will not get any respite from ban on cotton export (if it is announced) as outbound shipment has already slowed down. But banning cotton export till December this year may turn out to be beneficial. Goyal said that denim market is changing at a very fast pace because of changing in fashion and customers' choice. The industry is receiving good demand, particularly in domestic market.

PK Sharma, business head at Nandan Denim, said that cotton prices are proportionately higher, so the industry is suffering a lot. The government should incentivise garment export and raw materials import. He said that denim industry is likely to grow at the rate of 10 per cent annually. Nandan Denim is also planning to expand production capacity. About sustainability, he said that although synthetic dyes are more popular compared to natural dyes, the industry should be careful about effluent and follow norms of pollution control to protect the environment.

Source: fibre2fashion.com– May 19, 2022

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Explained: Why textile and garment industries want ban on cotton exports

Union Textiles Minister Piyush Goyal convened a meeting of cotton traders, millers and garment manufacturers. The topic: Spiraling prices of cotton, resulting in demands by the textile and garment industries to ban exports of the fibre. This comes days after the government on May 13 banned wheat shipments in response to rising prices due to a heat wave-induced production shortfall. Is there a case for similar restrictions on cotton exports?

How much have cotton prices gone up?

They have nearly doubled compared to last year. The average modal or most-quoted price of kapas (raw un-ginned cotton) at Rajkot APMC (Agricultural Produce Market Committee) mandi was Rs 12,250 per quintal on Thursday, as against around Rs 6,300 this time last year. This was also way above the government's minimum support price of Rs 6,025 per quintal for long-staple cotton varieties.

Prices have been rallying since November, when they crossed Rs 8,000 per quintal before scaling the Rs 10,000 mark for the first ever time in many markets by early-January. The marketing season for cotton extends from October to September, with more than 90% of crop arrivals already taking place by May end.

Basically three reasons. The first is lower production. In 2020-21, India's total cotton lint fibre output was 353 lakh bales (lb) of 170 kg each. For the current year, the Cotton Association of India (CAI), a Mumbai-based trade body, has estimated production at 323.63 lb. This figure, released on May 14, is lower than its previous estimates of 335.13 lb (made on April 9), 343.13 lb (February 25), 348.13 lb (January 18) and 360.13 lb (October 30).

The second reason is international prices. The Cotlook 'A' Index price – an average of representative quotes in the Far East destination markets – is currently ruling at 167 cents per pound, up from 92 cents a year ago. India is the world's second largest cotton producer (after China) and third largest exporter (after the US and Brazil). High global prices have made exports attractive. Also, they have pushed up domestic prices closer to export parity levels, while simultaneously making imports more expensive.

The third reason is consumption. The state-owned Cotton Corporation of India (CCI), in March, projected total domestic consumption for 2021-22 at 345 lb, compared to 334.87 lb, 269.19 lb and 311.21 lb in the preceding three marketing years. “Demand has significantly increased, as mills and other users were operating at sub-optimal levels in the past few years. Even during the pandemic, demand for bed-sheets and towels had zoomed, translating into higher consumption of cotton and yarn,” said S K Panigrahi, chief general manager (marketing) of CCI.

But the pressure on availability from lower production has already led CAI to revise downwards its estimates of domestic consumption to 320 lb, from its earlier January 18 estimate of 345 lb. CCI is expected to follow suit soon.

Why has production fallen so much?

The area sown under cotton in India has reduced from 134.77 lakh hectares (lh) in 2019-20 to 132.85 lh in 2020-21 and 123.5 lh in 2021-22. This has been largely due to the diminishing benefits from the genetically-modified Bt cotton, which helped almost treble the country’s production from 136 lb to 398 lb between 2002-03 and 2013-14.

Over a period, Bt cotton has become increasingly susceptible to pink bollworm and white-fly insect pest attacks, making it riskier for farmers to grow the crop. Besides, the government does not permit testing or commercialisation of next-generation transgenic breeding technologies.

This time, the crop was also affected by unseasonal rains in November-December, which affected yields as well as quality of the bolls from the second and third “flushes” (cotton is generally harvested over three or even four pickings, with the first one in October-November and the subsequent ones every following 20-30 days).

How justified is the demand for a ban on exports?

India’s cotton exports are actually projected at 40 lb this year, down from the 78 lb of 2020-21. At the same time, imports are likely to be higher, at 15 lb, from last year’s 10 lb. Moreover, on April 13, the Centre slashed the import duty on cotton from 11% to nil. Given the anyway lower exports and duty-free imports – which have for now been allowed until September 30, before the next marketing season – there may be no strong case for an outright ban on shipments.

Further, with domestic prices already rising to international parity levels, exports would slow down in the natural course. Advocates of an export ban say it would not impact farmers, as they have already sold their crop. However, a ban can also send wrong signals ahead of the planting season, which will take off next month with the arrival of the southwest monsoon rains.

Who are the main players in the cotton value chain?

Lint, the white fibre that mills spin into yarn, constitutes only about 34% of kapas. The balance is seed (65%) and moisture. The seed further yields both oil (used for cooking) and de-oiled cake (used as a protein ingredient by livestock feed manufacturers). Kapas rates have firmed up not only because of export and domestic demand for lint, but also due to rising vegetable oil prices. Cotton seed oil is, in fact, India's third largest domestically produced vegetable oil. Its estimated output, at 12.49 lakh tonnes (lt) in 2020-21, was next only to mustard (27.39 lt) and soybean (13.29 lt), out of a total 93.18 lt, according to the Solvent Extractors' Association of India.

Kapas is mostly bought by traders and ginning units that separate the cotton fibre from the seeds. The fibre is sold to spinning mills and seed to oil mills for crushing and producing vegetable oil. From every one kilo of lint, mills obtain 700-800 grams of yarn. The yarn is further woven or knitted into fabric and garments. India in 2021-22 not only exported raw cotton valued at $2.8 billion, but also cotton yarn worth $5.5 billion and fabrics and made-ups worth $8.2 billion. Every part of the value chain, thus, involves exports.

Source: indianexpress.com– May 18, 2022

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